

FINANCIAL TIMES

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D 8523 B

Lebanon: UN finds
persuasion a
futile weapon, Page 5

World news

Socialist union criticises Paris

France's normally pro-Socialist CFTC union has criticised the employment policies of the Paris Government.

In the UK the Labour Trades Union Congress is to consider proposals today which would make Britain's leading companies negotiate corporate development plans with a future Labour government. Page 18

Bush to Europe

U.S. Vice-President George Bush will visit several West European capitals this month to confer with officials on arms control, security issues and international trade.

Agca blames Soviets

Mehmet Ali Agca, the Turk who tried to kill Pope John Paul four years ago, told a Rome court that the order to kill the pontiff came from the Soviet embassy in the Bulgarian capital, Sofia.

Airliner hijacked

A hijacked Jordanian airliner with about 70 people on board took off from Palermo for an unknown destination after being refuelled.

NYSE strike off

New York Stock Exchange clerical workers and pages called off a strike minutes before it was due to start after reaching a tentative agreement on a new contract.

Iraqi attack

Iraqi war jets killed 41 people and wounded 51 in attacks on the Kurdish town of Sardasht in north-western Iran, Tehran said.

Sri Lanka blast

Separatist Tamil guerrillas blew up a hotel in Sri Lanka's Eastern Province after security forces arrested about 50 guerrillas.

Politician steps down

Leading West German opposition politician Walter Kolbow stepped down as vice-chairman of the Bonn parliament's defence committee, following allegations that he passed state secrets to the press.

Mengele 'dead'

Josef Mengele's son Rolf said his father, the most wanted Nazi war criminal still unaccounted for, died near Sao Paulo, Brazil, six years ago. Page 2

Police blamed

An official inquiry into the killing of 20 black marchers by South African police in March blamed the police for failing to carry proper riot control equipment such as teargas and rubber bullets. Page 5

E. German flees

An East German mechanic climbed over border fortifications in the Harz mountains and reached West Germany unharmed. He was the second East German in 24 hours to flee to Lower Saxony.

U.S. in spy swap

The U.S. handed over four convicted spies in return for 23 prisoners from East German and Polish jails.

Captain charged

The captain of a West German coast guard vessel involved in an incident which damaged a British oil ferry off the Dutch coast last week has been charged with drunkenness and gross negligence.

Workers' paradise

Three-quarters of Saudi Arabia's government employees arrive late for work and one sixth of them do not work at all, according to an official survey.

Business summary

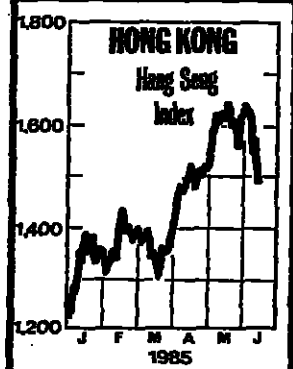
Fears on banks hit HK stocks

HONG KONG stocks fell sharply on renewed concern over the rescued Overseas Trust Bank and rumours that at least two medium-sized banks may also be in trouble. The Hang Seng index shed 78.74 to 1,492.13. Depositors reassured. Page 21. Government injection for Mass Transit Railway. Page 21. Stock market report. Page 42

TOKYO stocks were boosted by a revival of buying interest towards the close. The Nikkei-Dow market average surged 75.59 to 12,758.93. Page 42

LONDON issues moved ahead despite a continuing dearth of activity. The FT Ordinary share index added 7.1 to 998.4. Page 42

WALL STREET: The Dow Jones industrial average at 3pm was 4,371 lower at 1,314.07. Page 42



DOLLAR eased in London, closing at DM 3.088 (DM 3.102), SwFr 2.598 (SwFr 2.612), FFf 9.4125 (FFf 9.4325) and ¥249.85 (¥250.43). On Bank of England figures, the dollar's exchange rate index fell from 140.3 to 143.7. Page 35

STERLING gained 35 points against the dollar in London to close at \$1.263. It was also firmer at ¥135.5 (¥135.0), was unchanged at DM 3.088 (DM 3.102) and SwFr 2.598 (SwFr 2.612). Gold prices rose, according to the senior deputy governor of the South African Reserve Bank. Page 2

GOLD rose \$3 an ounce on the London bullion market to finish at \$313.25. It was also firmer in Zurich at \$313.25. Page 34. Gold prices rose, according to the senior deputy governor of the South African Reserve Bank. Page 2

DAVID MURDOCK, Los Angeles financier, has sold his 20 per cent stake in Continental Group to Peter Kiewit Sons Inc, his partner in last year's \$2.7bn buyout of the packaging and insurance conglomerate.

COLOMBIA agreed final terms on the \$1bn credit it is seeking from its commercial bank creditors to cover its external financing needs this year and next.

LIBERTY LIFE Association, a leading South African life assurance company, launched a £17m (\$218m) takeover bid for Capital & Counties, British property group. Liberty said the bid had been triggered by the technicalities of Britain's takeover code and it did not necessarily want to take control of the company. Page 18

SPERRY and Burroughs, the U.S. semiconductor groups, announced lay-offs and cutbacks. Sperry is cutting back at two Minnesota plants with the loss of 285 jobs while Burroughs is closing a manufacturing facility at Coral Springs and an engineering unit at Orlando with the loss of 750 jobs. Storage Technology sees loss. Page 18

NICARAGUA said it had secured a new \$402m loan from East and West Europe after visits by the country's president and vice-president. Page 6

AMERICAN Express, the financial services group, accepted a \$850m cash offer from American Television and Communications, the Time Inc unit, and Telecommunications for its Warner-Amex loss making cable-television joint venture with Warner Communications. Page 19

Gorbachev urges wide-ranging economic reforms

BY PATRICK COCKBURN IN MOSCOW

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday called for sweeping economic reforms in the Soviet Union which would aim for more efficient state control and greater emphasis on incentives to produce high-quality goods.

Blaming the Brezhnev era for economic stagnation, Mr Gorbachev said the Politburo had severely criticised the draft economic plan for 1986-90 and wanted it redrawn to focus on renovating and retooling factories rather than building new ones, improving product quality and making the centralised system more responsive to demand.

Mr Gorbachev went on to make an unusual public attack on four government ministers, thought to include those responsible for iron and steel and petrochemical industries who he said had failed to act in the spirit of economic reform. His criticism is considered to reflect his intention to assert central control over government ministries and the middle level bureaucracy which are often seen as the centres of opposition to economic reform.

Mr Gorbachev is looking for an annual growth rate of 4 per cent in

Soviet national income. The emphasis is that we did not display in time perseverance in reshaping the structural policy, the forms and methods of management, the very psychology of economic activity.

Although he endorsed the planned economy, Mr Gorbachev also said the state planning authority should be more of a scientific think tank than a system for setting specific economic goals.

"He said that Soviet industry was plagued by a lack of quality in its output that made it hard to compete on the world market and cost the nation not only rubles but also important foreign exchange.

"All this inflicts serious social, economic, moral and political damage... even products referred to as the highest category sometimes pale in comparison with the best world models."

Mr Gorbachev endorsed the late Yuri Andropov's plans for increased independence of industry and said they should be expanded, "to make vigorous use of more flexible forms and methods of management, cost accounting and commodity monetary relations."

THE International Monetary Fund yesterday confirmed officially that it had reached agreement with Argentina on a new economic programme designed to back up a resumption of drawings on a \$1.4bn loan facility arranged last year.

The confirmation, which ended several days of speculation about the state of relations between the two sides, came minutes after the government of President Raul Alfonsín announced a steep 15.27 per cent devaluation of the peso against the dollar.

Senior bankers said the devaluation was a gesture of good faith by Argentina and a positive indication that it intended to stick by the terms of its newly agreed IMF programme. Further austerity measures aimed at reducing the budget deficit, cutting Argentina's 1,000 per cent inflation rate and reducing its payments deficit are expected over the next few days.

But they added that the IMF deal alone still provides no assurance that Argentina will escape seeing its \$400m foreign debt officially downgraded by the U.S. authorities this week. A committee of U.S. officials responsible for supervising the banking industry will be meeting until Friday in Washington to examine Argentina's case.

Argentina still has to make some interest payments to avoid the downgrading with could seriously hinder efforts to complete a major debt rescue package which commercial bank creditors. For that it now urgently needs to conclude the \$400m bridging loan it has requested from the U.S. and other governments, they said.

By PETER MONTAGNON IN LONDON AND JIMMY BURNS IN BUENOS AIRES

Emission standards row 'threatens EEC market'

BY JOHN GRIFFITHS IN LONDON

A RENEWED confrontation among EEC member states over car pollution standards appears certain when environment ministers meet on June 24. The British Minister, Mr William Waldegrave, warned yesterday of a potentially "catastrophic" outcome, which could lead to the breakdown of the EEC internal market in cars, unless proposed standards announced by the EEC Commission last week are modified substantially.

The Commission's proposed standards are in breach of the compromise reached by the Environment ministers after 17 hours of negotiations in March, rule out the possibility of Europe's motor industry developing suitable "lean-burn" engine alternative to exhaust catalysts and are of such severity that even Britain's Jaguar, which has no problem meeting U.S. emission standards, would face serious difficulties, Mr Waldegrave said.

The standards proposed by the Commission, setting out maximum permissible levels of nitrogen oxides, hydrocarbon and carbon monoxide emissions, have already run into a barrage of criticism from the motor industries of Britain, France and Italy. A series of meetings between these countries' industries and their respective governments to formulate what is certain to be a hostile response to the proposals are taking place in preparation for the Brussels meeting.

The UK Government is in touch with the presidency of the Commission over what it is describing as an "unhelpful" intervention by the Commission, whose proposals it sees as the result of intensive behind-the-scenes pressure being applied by West German Commissioners.

Bonn, under severe pressure from the environmentalist lobby, has been seeking stricter standards than other member states. The Commission's proposed standards were presented as seeking a middle path between the environmentalists and motor industry concern that the standards should be set at a level which would allow the development of "lean-burn" engine technology. They state that nitrogen oxide emissions, which are

most damaging to the environment, should be restricted to 3.5 grammes per test for cars of over 2 litres, 4 grammes for cars of 1.4-2 litres and 5 grammes for cars of up to 1.4 litres. The West Germans wanted a maximum of 2.5 grammes for medium and large cars.

However, while there is little disagreement on the smallest cars, the UK, French and Italian industries want levels of up to 8 grammes for medium cars and 5 grammes for large cars.

While the differences might sound small, Mr Waldegrave said, the Commission proposal would present Jaguar, for one, with a need to re-engineer its cars to meet the standard for large cars. Relatively cheap "lean-burn" engines, fitted with simple oxidation catalysts, would be placed beyond manufacturers' ability to develop.

A spokesman for Jaguar last night confirmed that re-engineering of its cars would be required to meet the standards as proposed. A spokesman for Mercedes of West Germany said it was also in touch with the Commission.

Continued on Page 18

Argentina and IMF agree on economic plan

BY PETER MONTAGNON IN LONDON AND JIMMY BURNS IN BUENOS AIRES

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By PETER MONTAGNON IN LONDON AND JIMMY BURNS IN BUENOS AIRES

Moscow says U.S. 'bent on destroying arms pact'

By Our Foreign Staff

THE TEMPER of Soviet-American exchanges on arms control deteriorated further yesterday with a scathing accusation from Moscow that President Ronald Reagan was bent on destroying existing agreements, beginning with the Salt 2 strategic arms limitation treaty.

Reacting to Mr Reagan's qualified commitment on Monday not to undercut Salt 2, Mr Vladimir Lomeiko, the Soviet Foreign Ministry spokesman, accused the U.S. of "feverishly considering options about how to get around the limits contained in the treaty. In the process of this, the option of the U.S. continuing to respect Salt 2 was rejected out of hand," he said in a prepared statement issued yesterday.

"What the President has said clearly confirms that the U.S. administration took a decision... about the destruction of the system of agreements which control nuclear weapons starting with the breaking of the Soviet-American Salt 2 treaty," the statement said. This broadside will fuel current pessimism about the prospects for progress in the current Soviet-American arms control negotiations now underway in Geneva.

On Monday, Mr Reagan had called on the Soviet Union to show "comparable restraint" in respecting the treaty and warned that the U.S. would make "appropriate and proportionate" responses to Soviet violations of Salt 2 to make sure that Moscow was penalised for its actions.

According to yesterday's Soviet statement, Washington's accusations of Soviet treaty violations were intended to obscure the U.S.'s own breaches of agreements.

Referring to President Reagan's assertion that the Soviet Union is breaking the Salt 2 treaty by developing a land-based intercontinental ballistic missile, the SS25X, Mr Lomeiko denied that the missile was a new system, claiming that it is "the old SS13 which is being modernised fully in compliance with Salt 2."

The U.S., he said, was using the SS25X as a pretext for building new missile systems of its own, including the Midgester, which he claimed, violated Salt 2.

Mr Reagan had claimed that the U.S. would be staying inside the treaty by dismantling Poseidon submarines later in the year when the seventh 24 missile Trident submarine starts its sea trials.

Soviet reaction, Page 3; Washington's last warning on Salt violations, Page 7

Farm ministers face deadline on cereals

BY IVO DAWNEY IN LUXEMBOURG

EEC Farm Ministers will be called at midday today to declare their final positions on cereals price cuts in a vote.

After nearly four months of talks, bogged down by a West German refusal to sanction price reductions, it still remains unclear whether Herr Ignaz Kiechle, the West German Minister, will allow a vote to go ahead. Sigfrido Pandolfi, the Italian Minister, presiding over the Council, has long attempted to reach a decision by negotiation.

Although the margin between the West German position and the proposal from the European Commission is extremely narrow, no progress was made last night in bridging the difference. There was also some speculation that Bonn may now be able to accept a vote without using its veto through changes in the positions of several other member states.

The attempt by the Italian presidency to create a majority of nine to one against Herr Kiechle appeared not as successful as first thought. Speculation was mounting yesterday that Ireland and Greece and possibly Belgium and Luxembourg might join Germany in rejecting the Commission proposal for a 1.8 per cent cereals price cut.

This would be more than enough to prevent the 45-vote Council from achieving the 45 votes required for an approval by qualified majority. Frantic lobbying was expected to take place overnight in an effort to resolve the situation.

While Germany would prefer to win allies to vote down the price cut, thereby avoiding having to use a veto - a procedure it has long opposed on political grounds - the Italians and the French are anxious to reach a decision.

Continued on Page 18

U.S. and UK markets plan link

BY JOHN MOORE IN LONDON AND PAUL TAYLOR IN NEW YORK

THE LONDON Stock Exchange and the New York Stock Exchange have formed a task force to work together on developing new dealing systems.

In a joint statement yesterday both exchanges said that they would be investigating "joint approaches to advanced securities trading systems, market links and methods to facilitate international settlement of transactions."

They said that as trading of leading securities develops on a 24-hour basis it is necessary for the exchanges to examine areas of "co-operation which will continue to provide an efficient, cost effective market-place."

In Britain, stock exchange officials are worried about the threat of Reuters, the international news gathering and electronic data company, providing an alternative screen-based service outside the exchange.

Merrill Lynch, one of the largest U.S. securities groups, is in talks aimed at taking an initial 29.9 per cent stake in A.B. Giles & Cresswell, one of six market makers in British government securities on the London Stock Exchange. Page 18

change could lead to fragmentation of the market. Now the new initiative on both sides of the Atlantic is designed to ensure that control of trading networks remains under the regulatory umbrella of the two exchanges.

In Washington, the U.S. Securities and Exchange Commission (SEC) said that it had no official comment on the proposed New York-London stock exchange link. However, the SEC is likely to take a keen interest in the proposals.

The commission has already expressed its concern that the growing internationalisation of the securities markets could undermine its ability to regulate trading. Earlier this year the SEC published a discussion paper on the subject, seeking public comments by the end of this month.

It is understood that the New York Stock Exchange has shown considerable interest in the London exchange's screen-based price display system - the Topic service. The London Stock Exchange is also keen to develop an effective price dissemination service which will allow prices to be disclosed in the restructured market.

At present the London exchange is attempting to develop an interim internal network based on the Topic system called Stock Exchange Automated Quotations (SEAQ).

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EUROPEAN NEWS

Mengele's son says
exhumed body is
that of his father

BY RUPERT CORNWELL IN BONN

THE BODY exhumed by Brazilian investigators from a grave near Sao Paulo last week is "without doubt" that of Dr Josef Mengele, hitherto the most wanted Nazi war criminal still at large, his son Rolf declared yesterday.

The statement by the son, in which he confirmed having visited Sao Paulo after Mengele's alleged death in a swimming accident on February 7 1979 would seem to banish most remaining doubts that his father is dead.

Herr Rolf Mengele, a lawyer in Freiburg, said he had visited Brazil after the event to check the circumstances in full. "I am sure that forensic examination of the remains will soon confirm that they are of my father Josef Mengele."

The Mengele family, which runs an agricultural machinery business at Gumburg in Bavaria, was ready to make further "relevant evidence" available, the statement added.

Whether pathologists who yesterday started their detailed

examination of the corpse will alone be able to settle the issue conclusively remains to be seen. Their findings should be ready in 10 days or so, it was reported from Brazil, but Sr Rubens Brasil Maluf, head of the institute carrying out the autopsy, said it would be "very fortunate" if identity could be proved beyond doubt.

However, the scant details contained in the family statement do fit in with what has emerged from witnesses in Brazil.

At the same time, even those initially sceptical of the discovery, such as Herr Simon Wiesenthal, the Nazi-hunter, have been coming around to the view that the remains are those of their long-standing quarry.

Mengele was doctor at the Auschwitz extermination camp in Upper Silesia, Poland, between 1943 and 1945, where he is accused of sending 400,000 people to their deaths in the gas chambers, and of conducting gruesome medical experiments.

Italian business rejoices
at wage indexation vote

BY ALAN FRIEDMAN IN MILAN

ITALY'S leading bankers and industrialists yesterday welcomed the result of the referendum on wage indexation, in which 54.3 per cent of the electorate voted to defeat the Communist-sponsored proposal to restore cuts to the *scala mobile* system.

Meanwhile, in Milan, the stock market surged in some of the heaviest trading activity in years. Sever-

al shares went to all-time highs, and brokers reported a steady flow of orders from foreign and institutional investors.

In Turin, Dr Cesare Romiti, managing director of the Fiat group, said the referendum result "once again demonstrated that the Italian people have more common sense than some political parties credit them with."

Sweden's
foreign
arms sales
soar 24%

By David Brown in Stockholm

THE GOVERNMENT in Stockholm released figures yesterday showing a significant increase in foreign arms sales during 1984, amid growing domestic controversy over Sweden's weapons export policy.

The report coincides with several investigations into charges of illegal armaments dealing by Bofors, the defence concern which is Sweden's largest weapons exporter.

The value of authorised foreign weapons sales climbed 24.5 per cent in real terms, according to the Trade Ministry in Stockholm, corresponding to just under 1 per cent of total exports.

The largest customers were in Italy, Nigeria and Singapore. Divided by region, Europe accounted for half the total SEK 2.1bn (\$222.7m) deliveries followed by Asia with 19 per cent and Africa with 15 per cent.

Meanwhile, the Government is under pressure to tighten further regulations governing such sales. Weapons shipments are prohibited at present.

Bofors, now part of Nobel Industries of Sweden, following its SEK 3bn takeover of the Kema-Nobel chemicals group last year, has been under investigation for alleged violations of this law.

Mr Claes-Ulrik Winberg, chairman of the Swedish employers' federation, temporarily stepped down from his post last weekend in the face of the customs authority inquiry into the alleged violations, which took place while he was managing director of Bofors.

Tom Burns and Diana Smith report on the eve of the EEC treaty signing
Spain prepares to come in out of the cold

SIX SPANISH television outside broadcast units will cover today's ceremony marking Spain's signature of the European Community treaty of accession in the splendour of Madrid's royal palace.

As one newspaper remarked, with ill-concealed glee, there will be more television cameras than there were when General Franco lay in state in the same building nearly 10 years ago.

There will be prime ministers and European officials galore at the massive palace that the Bourbon dynasty had built for itself in the 18th century. The only foreign dignitary that sticks in the mind as a prominent guest at the generalissimo's funeral was Chile's Gen Augusto Pinochet.

The blanket coverage and European welcoming party marks Spain's coming out of the cold. Commentators, foreign and Spanish alike, have dwelt ceaselessly on the psychological impact of the country's entry

into Europe. The Pyrenees—and Spaniards have long endured the jibe that Africa began at the Pyrenees—have been levelled to the ground with EEC enlargement.

Absent from the jamboree will be the Spanish military's top brass. The chiefs of staff are usually an inbuilt feature of every state occasion and the Madrid daily *Diario 16* picked up the omission yesterday and headlined: "The military excluded from the solemn events."

Instead there will be guests who are not normally associated with such events. Among the select crowd will be golfer Seve Ballesteros, former Wimbledon champion Manuel Santana and the poet Rafael Alberti.

The fact that the military will not be present, and that the cultural and sporting process of normality that membership of the EEC has come to mean

for Spain. There are also other, barely perceptible, signals in the invitation list.

Absent, too, from the solemnities will be the chief ministers of Spain's 17 autonomous communities. Some are hardly known outside their immediate vicinity while others, notably the *abogado* Lladu and the president of the *Catalan Generalitat* are figures of considerable national prominence.

All the chief ministers, at any rate, regularly turn up for the top state events be it the garden party to mark King Juan Carlos's patronage or the annual military parade that celebrates the end of "Armed Forces Week."

A harassed government official, entrusted with explaining the details of today's ceremonies, said that this omission was a "mistake" and that there had been "insufficient time" to send out all the appropriate invitations. One prominent Catalan poli-

tician rightly thought that an empty excuse, and giving vent to the whole touchy issue of regionalism in Spain, charged yesterday that Madrid was yet again raising its centralist head.

It has not escaped notice that, with Spain as part of a greater European whole, the 17 autonomous regions that came into being with the post-Franco democratic transition will themselves be striding a smaller stage. Some government officials feel that this is in the right and natural order of things, as quasi-federalism in Spain had gone far enough.

Sr Felipe Gonzalez, the Prime Minister, yesterday chaired a Cabinet meeting that formally approved the treaty of accession. It consists of 68,000 sheets of foolscap but the document has a shortened version of some thousand odd pages which is what the Cabinet actually examined.

The document, in its complete and condensed version, has had

translators, typists and proof-readers working up to the last moment. The parliamentary spokesman for Spain's conservative opposition, Sr Miguel Herrero de Mino, pointed out with some acerbity yesterday that the Cabinet was approving what it had not read and much less digested.

Sr Gonzalez takes an early flight today to Lisbon where he will meet Sr Mario Soares, his fellow Premier in a no less grand ceremony held at the equally incomparable setting of the Mosteiro dos Jeronimos. Also there will be the Prime Ministers of Belgium, Denmark, Greece, the Netherlands, and Italy, Luxembourg's deputy premier and the foreign ministers of Britain and West Germany.

All of them, together with the EEC Commission, travel after lunch to the Spanish capital to continue the enlargement process by making the Lisbon eleven into the Madrid twelve.

Soares leads in an eager but apprehensive Portugal

REGARDLESS of the pall cast over today's ceremonies by the impending withdrawal from the Portuguese coalition of the minority Social Democrats, Sr Mario Soares will be a proud man as he signs Portugal's accession treaty to the European Community.

Amid the turbulence of Communist-inspired revolution in 1975, he was a lone voice crying "Europe is with us," urging moderate Portuguese to step calm and hang on to the vision of a democratic European future.

When politics cooled down, he was the pioneer who trekked from one EEC capital to the other in 1977, pleading for support for his country's wish to

democratic European umbrella not only shelter under the but contribute as best it could as working partner in an enlarged Community.

Today, his hopes and the hopes of his compatriots who for eight years backed arduous efforts by successive governments to negotiate a small, poor but willing country's way into the powerful European club are closer to realisation.

Politics were not the only instinct that drove Portugal to seek a different future. Its people want change. They want—and need—more keenly perceptible challenges than they would face outside Europe. They are eager for economic prestige and more efficient,

competitive agriculture and industry. They want their public services, transport and ports, their job training schemes and social services to be modern.

In short, they want to slough off a sense of living in a backwater. Perhaps too-optimistically, the Portuguese expect accession to bring radical modernisation of agricultural structures, production and marketing that pre- and post-1974 governments could not implement, or feared to do so, for financial or political reasons. They will unlock energies on the part of many farmers, spurred by the Ecu 700m (\$413m) the Community will grant over ten years to help

modernise Western Europe's most inefficient agriculture.

Local governments, small businessmen and tourism companies, after initial diffidence, have begun preparing projects that can tap the EEC's regional development funds.

More dynamic Portuguese industries, which have recently caught the pre-European mood and begun to modernise equipment and marketing, are eager for more access to European markets—particularly footwear and textile manufacturers.

Thanks to mulish resistance up to the last minute when EEC negotiators tried to sweep the problem out of the waters of the Ten, Portugal's rich fishing waters are protected from ex-

ceptional inroads by the powerful Spanish fleet.

Those who may be most hurt by accession are local manufacturers who have stumbled on for generations producing on a small scale for a small domestic market. Spanish manufacturers are already spotting sales or investment outlets here and small industrialists are worried.

Above all, Portugal's inability to modernise its production, transport networks, telecommunications and administration leave it at a strong disadvantage compared not only to the Ten, but also to Spain. Special Community aid will help—but not unless the Portuguese scrap inefficient approaches and adopt new ones.

South Africa suggests new
role for 'stabilised' gold

BY WILLIAM DULLFORCE IN LUGANO

ASSURANCES all round that the price of gold has finally stabilised and a South African suggestion that a new role for the metal be found in the international monetary system were two highlights on the first day of the Financial Times World Gold Conference yesterday.

An analysis of demand and supply flows led Mr Chris Stals, senior deputy governor of the South African Reserve Bank, to the conclusion that the market was now poised for an imminent rise in the gold price.

Mr Timothy Green, a consultant to Consolidated Goldfields believed that at around \$300 an ounce a realistic floor to the gold market had been reached. This compares with a peak of \$850 recorded in London on January 21 1980.

Mr Stals argued that the present low dollar price was not a true reflection of the world price for gold. Measured in terms of most European currencies, the price had remained remarkably stable over the past two years.

In the next few years new production, net sales by the socialist countries and sales from central banks would supply the market with roughly 1,400 tonnes a year. This amount would be supplemented by a more unpredictable amount from recycling of existing gold which would be offered on the market in increasing amounts as the price moved up.

Demand for gold for fabrication now absorbed all the regular supply so that all volatile investment demand would play a major role in determining the price, Mr Stals said. In Mr Green's view gold had reached a price level at which most if not all of the supplies coming to the market could be taken up quite easily.

A major factor of 1984 has been the robust performance of the jewellery industry whose off-take of gold at 818 tonnes had hit the highest level since 1978. In the eight months "after gold fell below \$350 last summer, five markets alone—Italy, Dubai, Singapore, Hong Kong, and Tokyo—took up 611 tonnes—an annual rate equivalent to 67 per cent of all Western mine production, Mr Green said.

FINANCIAL TIMES
World Gold
in 1985
CONFERENCE

In Dubai, the jumping-off point for the trade with India, he had witnessed earlier this year scenes not found since the early 1970s. Dubai had imported 17 tonnes of gold in January and 14 tonnes in February. For many people in South-East Asia gold was "cheap" again.

Mr Victor Lam, bullion division director of Shearson Lehman American Express Asia, confirmed that the current absorption rate of the Asian market was "almost staggering." The first quarter of 1985 had shown even larger activity than in 1984. Both he and Mr Green emphasised the good track record of Asians in reading price trends.

Japan was today experiencing the third "gold rush" in its history, according to Mr Takashi Tanaka, managing director of Tanaka Kinzoku.

In the seven years since it had liberalised imports and exports of gold, Japan was well on the way to becoming the world's biggest gold market, he claimed.

The metal had entered into the everyday life of the Japanese, Mr Tanaka explained.

Last year Japanese gold demand totalled 305 tonnes, the highest level in its history and of this amount 192 tonnes were imported. The brisk activity of electronic companies was an important factor in this development; industrial use of gold in Japan has been growing at an annual rate of between 20 per cent and 40 per cent, Mr Tanaka said.

Analysing gold shares, Mr Julian Baring, of James Cabel was also bullish. He thought the low of the gold price had been seen and that investors would gradually regard the metal not so much as a roller coaster to jump on and off, but more as an anchor for a well diversified portfolio.

Mr Stals did not win ready ac-

ceptance for his proposal that gold should again be used as a means of international settlement. It was wrong for it to lie frozen in the vaults of central banks, where it made up more than 40 per cent of the official foreign reserves of the member countries of the International Monetary Fund, he said.

For Mr Robert Guy director of NM Rothschild, who chaired the first day of the conference, promoting the role of gold as a reserve asset would be an admission of failure in the task of developing an international monetary system.

Mr Guy also prompted Mr Alan Brody, president of the Commodity Exchange (Comex) in New York to explain the new safeguards being discussed between the United States Federal Authorities and Comex after the default in March of a Comex clearing company.

Mr Brody described how Comex had become the world's largest market for gold futures trading over the past ten years, a development which has not always been looked kindly by established gold trading centres, such as London, Zurich and Hong Kong.

The options on gold contracts, recently introduced by Comex now accounted for nearly 25 per cent of its total gold trading volume Mr Brody said.

An agreement between Comex and the Sydney Futures exchange to begin linked trading in gold futures contracts would come into effect in the near future and would effectively double the number of hours in which traders would have access to the Comex contract, Mr Brody said.

Mr Sydney Gold, manager of the options department of Philipp Brothers Inc described how gold options worked while Mr Brian Marber senior partner of Brian Marber and Co., explained the value of charts and technical analysis in the gold business.

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EUROPEAN NEWS

David Marsh on how Lyons backs its fledgling entrepreneurs

A city in the business of start-ups

IN A semi-rural setting a few miles from the centre of Lyons in France, the city's business school is organising an exhibition for 10 newly-established small businesses to show off their wares in areas ranging from video text and biotechnology to fast food. The display by the 10 fledgling entrepreneurs (average age 31) is still in full swing in the evening after 500 visitors during the day.

The average FFf 400,000 (£33,641) capital backing for each company, mainly put up by friends and relatives, is proof that "there is money around in Lyons," according to M Philippe Albert, director of marketing development at the Lyons Ecole Supérieure de Commerce.

The school, which has been providing a 17-week course for the company founders, plans to continue the scheme by sponsoring two sets of start-ups a year in association with established local concerns.

The start-up project is just one sign of the vitality of Lyons, the second city in France, a challenge which is now one of the country's major economic preoccupations: boosting small businesses, particularly by encouraging commercial links between universities, industry and financial institutions.

Lyons, capital of the prosperous Rhone-Alpes region which has been less affected by the recession than other parts of France, is none the less suffering from a run-down of employment in traditional areas. Unemployment in Lyons is 7 per cent, about the same as in Paris, compared with a national average of nearly 10 per cent. The Lyons city authorities, who are making a special effort to develop the town's standing as an international business centre, are banking on high technology as the key to building a new industrial fabric.

"It is easier to promote research links with business in Lyons: the frontiers are smaller," says M Francois Juliet, scientific director at Société Lyonnaise de Banque, the regional bank.



Pushing Lyons ahead: Jean Carrière and Jean Chemain.

M Juliet has been recruited from the civil service after spending 13 years at the head of the Government's Rhone-Alpes research and development office. His job is to boost links between the separate worlds of money and science: an area where the Lyons approach, in keeping with the region's comfortably bourgeois traditions, is still a lot more conservative than in the U.S.

M Alain Merieux, head of the medical group Institut Merieux, is not the only one to chide financial institutions for excessive conservatism. M Merieux is also chairman of a new regional venture capital group Sudinova, which has made 12 investments in small businesses for a total FFf 3.5m. He says the need to take more risks.

The Société Lyonnaise de Banque, part of the Crédit Industriel et Commercial group, is making a big effort to step up its investments in small companies as an investment for the future both for the region and itself.

"Banks have to increase their investment banking activities.

Adlerly, speaking of the business-minded approach of university graduates. "Young people have ideas and a way of thinking which bear no comparison to those of the spoiled children of the 1960s."

Previously, researchers refused commercial links, fearing they would "compromise themselves," says Professor Christian Colombel, who chairs an organisation promoting business start-ups in the biotechnology and medical fields, and who is playing a key role in setting up Lyons' new Gerland science park. "Now there has been an irreversible change."

One flourishing spin-off from Lyons research is Saduc. This FFf 10m turnover company manufactures cosmetic and medical products from collagen, a substance derived from animal skins under technology developed at the local technical centre for the leather industry. M Michel Dubois, the director, has built the company slowly to become an important supplier to the L'Oréal cosmetic group. He is slightly bashful in admitting that net profits are 18 per cent of turnover.

M Paul May, a former teacher at the National Applied Sciences Institute (INSA), set up his own company CN-Industrie in 1977, specialising in software for computer-aided design and manufacturing and automated production systems. A new set of shareholders, including the Paribas investment bank, is about to inject fresh capital into the company. M May has his eye on boosting turnover to FFf 100m by 1989 (from FFf 17m last year) and hopes for a share listing.

M May, who is the managing board chairman of the Sudinova venture capital group, and is active in "godfathering" other small businesses, says: "Seven or eight years ago, if you set up your own company, you were another person. Now, the creation of one more capitalist is seen as boosting jobs. If you've got a good project, there's no trouble finding the money to back it."

Elsewhere, however, there is no mistaking the change in entrepreneurial attitudes sweeping through Lyons. "It is a revolution," says M Jean Chemain, head of the Lyons development organisation,

Yugoslavs to discuss debts with banks

By Aleksandar Lebl in Bled

YUGOSLAV AND Western bank negotiators are to make a further attempt, in New York next month, to agree on terms for rescheduling Yugoslavia's \$3bn commercial bank debt falling due between 1985 and 1988, having failed to significantly narrow their differences in talks at the Yugoslav resort town of Bled.

The continued impasse over bank debt rescheduling stems chiefly from Yugoslav insistence on paying less than the 1.25 per cent over the London Inter Bank Offered Rate (Libor) demanded by the commercial banks on 1985-88 rescheduled debt, and on Yugoslavia's request to renegotiate lower interest rates on 1983 and 1984 debt maturities already rescheduled.

Investment

Until final agreement is reached, the Yugoslavs have been warned that they cannot expect any fresh finance from the commercial banks.

Following their Bled talks, Mr Fulvio Dobrich, a senior vice-president of Manufacturers Hanover who chairs the commercial bank creditors' committee, and Mr Cvitan Djumovic, the chief Yugoslav negotiator, are to see if they can make enough progress in New York in early July to warrant calling a full meeting of the several hundred banks owed money by Yugoslavia.

Two such plenary meetings have already been held in recent months, and both sides believe that a third inconclusive meeting could have very negative results.

The Bled talks took place in the context of the regular annual session of the U.S.-Yugoslav Economic Council, at which the Yugoslavs were also warned they could lose U.S. preferential tariff treatment unless they changed legislation concerning pharmaceuticals.

Soviet Union sees economic threat in Stars Wars
Moscow opts for caution in arms race with U.S.

BY PATRICK COCKBURN IN MOSCOW

IN RECENT months Soviet leaders have increasingly emphasised that a central aim of U.S. defence policy is to derail the Soviet Union's economy by "forcing Moscow to raise its military spending above the level it can afford."

President Ronald Reagan's Strategic Defence Initiative (SDI) has "an insidious aim, an attempt to foist excessive military spending on the Soviet Union and the Soviet community in order to exhaust them through the arms race," said a senior official of the Communist Party Central Committee last month.

The threat is real enough. Defence spending already makes up some 12 per cent of the Soviet gross national product. Western studies say the military spending on the Soviet cent of all new machinery but Russian spending on arms has risen very slowly since 1976.

"There have been two distinct periods in Soviet defence spending since 1955," says a study issued late last year by the U.S. Central Intelligence Agency. "Before 1976, growth in total defence spending averaged about 4.5 per cent per year; after 1976, the rate of increase in spending dropped appreciably, to about 2 per cent a year," the CIA concluded.

Progress

Despite the increase in U.S. defence budgets under President Reagan, the CIA says that the Soviet Union has not followed Washington in upping its spending on arms. The military budgets devised at the height of détente have not been changed.

A change now would have a serious impact on the plans of Mr Mikhail Gorbachev, the Russian leader, to reform and expand the economy. Both he and the Soviet central planners in Gosplan are looking for high rates of growth in the next five-year plan (1986-90) of over 4 per cent a year. The rate of investment is also to be raised. A significant increase in the Soviet defence budget of around 5 per cent would scupper such

plans. Unlike the U.S., Moscow cannot fund its military spending through domestic or foreign savings but must switch resources directly from the civilian to the military side of the economy.

Agriculture and energy already absorb some 55 per cent of Soviet capital investment; increased weapons procurement would also prevent any increase in the Soviet standard

The Soviet leaders claim they will not be forced into 'backbreaking expenditure' by President Ronald Reagan's Strategic Defence Initiative—to do so would upset their plans to expand and reform the non-military side of the Soviet Union's economy. Anyway, for the moment, Russian scientists say that the Star Wars system can be countered easily enough

of living which Mr Gorbachev wants to maintain.

For the moment, senior Soviet scientists say that Star Wars can be countered easily enough. Dr Yevgeny Velikhov, a senior Soviet scientist and an expert on Star Wars, recently said that the feasibility of producing an anti-ballistic missile system was no greater now than it had been in 1972 when the ABM treaty was signed.

Dr Velikhov said that SDI unrealistic to suppose that "in a very short period of time—in something like two minutes

—this system must destroy several thousand missiles, launched both from the continents and submarines at unknown positions in the ocean."

He went on to say that Mr Caspar Weinberger, the U.S. Defence Secretary, had said when President Reagan was first elected in 1980 that the Soviet Union would react to an American military build-up by "reconstructing all our forces, and we would be compelled to incur backbreaking expenditure. This did not happen."

Dr Velikhov said that SDI would be no more successful in forcing Moscow to undertake "backbreaking expenditure." The policy of keeping spending on a tight rein is not likely to be changed by Mr Gorbachev. In a major speech yesterday, his emphasis was on the wholesale reforms of the civilian economy, though he did say that the Soviet Union would not allow the military balance with the U.S. to be changed.

Radicalism

This is hardly very welcome to the Soviet general staff. Marshal Sergei Sokolov, the Defence Minister, has been as denigratory about the feasibility of Star Wars as some civilian scientists and commentators. The former Chief of Staff, Marshal Nikolai Ogarkov, put the emphasis on the need for a new generation of high technology conventional weapons for the Soviet armed forces. This was an area, he said, in which the Soviet Union could not afford to fall behind.

It is not clear whether Marshal Ogarkov's dismissal last year was a direct consequence of such military radicalism, but in any case there is little sign of Moscow refurbishing or replacing its military equipment.

It knows that in any all-out arms race with the U.S., the Soviet Union will lose and sustain serious economic damage into the bargain. The response to greater U.S. spending on conventional and nuclear weapons as well as Star Wars is therefore likely to be cautious and limited.

E. German rights plea by Fabius

By Leslie Collett in Berlin

THE FRENCH Prime Minister M Laurent Fabius, has called on East Germany to allow its citizens greater freedom of movement and the right to live where they choose.

Speaking at a banquet in East Berlin given by President Erich Honecker, he said France attached great importance to the observance of the 1975 Helsinki Accords, and in particular to the right of all people to "move freely and reside where they wish."

M Fabius also dedicated an auditorium in the newly established French cultural centre in East Berlin, the first of any Western country in East Germany.

Interest in learning French has received an impetus among East Berliners by the fact that the cultural centre has a library stocked with books otherwise unavailable in the East.

Employees of East German state institutions have been warned not to use the centre's facilities.

European chemicals investment likely to rise by 10% this year

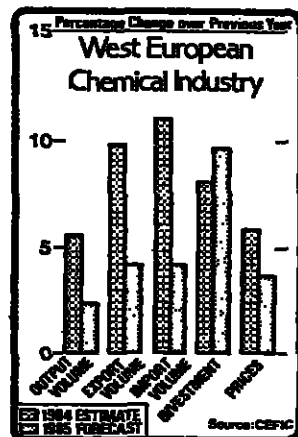
BY CHRISTOPHER PARKES

IMPROVED CONDITIONS in the chemicals industry encouraged Western European manufacturers to step up investment by 8 per cent last year. And they are expected to spend 10 per cent more this year, according to Cefic, the industry's European federation.

Its annual review reports a good start to the year, with better use of capacity, and forecasts a spell of more moderate growth in the second half.

The extra capital spending this year will be committed mainly to rationalisation, energy conservation, and developing new products and markets. An increasing amount of investment is going on development of more specialised and highly valued products.

Capital investment increased particularly strongly in the Netherlands last year, where it rose by 36 per cent. Spending in France went up by 27 per cent and in Britain by almost 17 per cent.



The industry has benefited from the better general economic climate. For the second year running chemicals output increased last year by more than 5 per cent, while total manufacturing output grew by only 3 per cent. It also

enjoyed a 9 per cent increase in the volume of trade in its products.

European chemical exports increased by 10 per cent and although imports also rose, there was a further increase in the industry's favourable balance of trade.

The federation expects an increase in output volume of around 2.5 per cent this year. Export volume is also expected to go up more modestly—by about 4 per cent—and imports by the same proportion.

The workforce is predicted to remain unchanged for a second year and last year's 5.7 per cent general increase in prices is expected to moderate to about 3.5 per cent in the current year.

The report says the industry benefited from the strength of the dollar last year which helped restrain U.S. exports and opened up new prospects for the Europeans.

Bulgaria plans big spending rise

BY PATRICK BLUM IN VIENNA

BULGARIA IS planning its annual investment programme, aimed at giving it a lead role in electronics and other high technology inside Comecon and to be financed partly by borrowing in the West.

According to officials the programme is still being discussed but will be ready for approval by the next Communist Party congress next April.

Prof Danov, a senior economist with the Higher Institute for Marxist Economics in Sofia, says it will require investments of up to 100bn leva (the equivalent of \$15bn) during the next five-year plan. For comparison this is

more than four times the value of the country's annual exports.

Capital investment last year totalled more than 100bn leva of which about three-quarters went to develop industrial production and energy resources. The new programme will effectively channel almost all investment towards developing new technologies and applying them to production.

Prof Danov says it will mean that, in the course of the five years, all foreign currency earned by the country will be invested in the programme. It means a radical change of investment policy in this country. We will have to

mobilise the whole of Bulgaria's industrial potential to realise these investments," he says.

In order to finance the programme without causing serious dislocations in the economy, Bulgaria will seek to raise international credits for specific projects, Prof Danov says. This in itself would represent a significant change of heart for Bulgaria which has shied away from the capital markets for several years.

The first sign of a change came only a month ago when it asked the National Westminster Bank and the Moscow Narodny Bank to raise \$100m on the Euromarkets on its behalf.

EdF to start recycling surplus plutonium

BY DAVID MARSH IN PARIS

ELECTRICITE de France, the state utility responsible for the world's most intensive nuclear power programme, has decided to recycle plutonium in its network of pressurised water reactors (PWRs) to absorb stocks of the metal which would otherwise build up in coming years.

The EdF decision to embark upon plutonium recycling is a direct consequence of the worldwide nuclear energy slowdown which will delay entry into service of commercial plutonium-burning fast breeder reactors at least until the early years of the next century.

The EdF move will result in plutonium—formed as a by-product of normal reactor operation, and separated from uranium and waste

products at reprocessing plants—being added to the uranium fuel to 900 MW N-plants from the end of 1987 onwards.

EdF intends to use a mixture of 4.5 per cent fissile plutonium in fuel assemblies containing depleted uranium which until now has been discarded after uranium enrichment.

The aim of using mixed oxide (MOX) fuel is above all to provide an economic use for the plutonium which EdF will be producing at a rate of about 8 tonnes a year from reprocessing during the 1980s at the La Hague complex near Cherbourg. The complex is run by Cogema, the state nuclear fuel group.

Use of MOX fuel in EdF's thermal reactors amounts to an important change of strategy dictated by the

clouds hanging over fast breeder reactors. Superphoenix, the world's biggest commercial fast breeder, built by France and other European countries at a cost of FFf 20bn (\$2.1bn), is due to go on stream next spring after several years of delays.

Probably no more than one or two commercial European breeders will be built before the end of the century—a consequence of the present glut of uranium as well as of the costs of fast breeders, which EdF characterises as still being in the prototype stage.

Use of MOX fuel has already been carried out in West German reactors for several years and several other European and Japanese utilities are considering such a move in order to use up stocks of plutonium

from reprocessing. Moving to full-scale MOX use will necessitate building up new fuel fabrication plants over the next few years. It could also pose greater nuclear proliferation risks as a result of more extensive movements of the metal in fabrication facilities and power stations.

EdF, which has up to now reprocessed only about 30 to 60 tonnes of PWR fuel at La Hague, plans to step up reprocessing to about 300 tonnes a year in 1988, 400 tonnes in 1989-90 and 500 tonnes thereafter. It intends to use 8 tonnes of MOX fuel—containing about 500 kilograms of plutonium—in 1987, moving to 16 tonnes in 1988, 32 tonnes in 1989-91 and 60 to 90 tonnes after 1993.

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They also estimate that many of the savings that might be made by the new administration could be made by the GLC as it stands anyway.

So whoever stands to profit from abolishing the GLC, it certainly isn't Londoners.

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OVERSEAS NEWS

South African police blamed in inquiry on Uitenhage deaths

BY ANTHONY ROBINSON IN JOHANNESBURG

ERRORS BY the South African police at its security branch were mainly responsible for the events which led to the fatal shooting of 20 black mourners on March 21 at Langa near Uitenhage on the 25th anniversary of the Sharpeville massacre.

This is the broad conclusion of the Commission of Inquiry set up by President P. W. Botha under Mr Justice Donald Kammeyer to investigate the incident which sent shock waves around the world and spurred the U.S. campaign for disinvestment in South Africa.

Confusion over the banning of a funeral of previous unrest victims, the lack of proper riot control equipment, and provocative remarks by police towards a large but originally peaceful and unarmed crowd were the main factors which led to the shooting against the background of months of violence and unrest in the Eastern Cape province.

The report largely exonerates Mr Louis le Grange, the Minister for law and order, whose original report to Parliament on the day of the shooting contained many errors which Mr Kammeyer put down to "confusion" rather than a conspiracy by police to fabricate evidence to prove that petrol bombs were the cause of the order to open fire.

But the report is very critical of Captain Andre Goosen, a local security police officer, who misused the Internal Security Act to ban the funeral of the six people in a way which led to confusion among the crowd of mourners.

Had the holding of the funeral not unnecessarily been prohibited on doubtful grounds there can be no little doubt that the procession would have passed the (nearby white town of) Uitenhage without incident, the report says. Mr Kammeyer suggests that police review the procedure under which such banning applications are made.

The judge also strongly criticises Major Gert Kuhn, station commander at Uitenhage, and his superior officer, Lt-Col Col Frederick Pretorius, for not supplying the riot squads with standard riot control weapons.

"The fact that no rubber bullets, birdshot or teargas was available is a matter of grave concern. For riot control police to be in a position where, if they are compelled to take action, the death of rioters was all but inevitable is one which should never have been allowed to occur."

Mr Kammeyer also criticises the actions of police officers in the two armoured cars for taunting and provoking the crowd to throw stones.

On the crowd, Mr Kammeyer said there was no evidence of any organisation or arrangement to attack white residential areas. "People had gathered at random in a show of solidarity and had intended to go to the funerals in nearby Kwanobuhle."

Mr Kammeyer suggested that "provocative action" by the police may have led to the beginning of a chant about killing whites in Uitenhage which police evidence quoted as one of the reasons for opening fire after a single warning shot. But "teargas may well

Opposition attacks 'lack of discipline'

MRS HELEN SUZMAN, law and order spokeswoman for the white Progressive Federal Party (PFP) opposition, described the Kammeyer report as "a devastating indictment of the manner in which the minister and his senior officers are handling the portfolio of law and order," writes our Johannesburg Correspondent.

It painted "an alarming picture of confused lines of communication, ambivalent instructions regarding the use of riot control equipment and a disregard of normal standing orders by the police."

The fact revealed by the report that 35 out of the 47 people killed and injured were in the back was "shocking" as it indicated "a total lack of control and discipline within the police force," Mrs Suzman said. "It is clear that the entire structure and functioning of the police force needs urgent revision if similar tragic incidents are to be avoided in future."

In a memorandum from the Ministry of Law and Order the Government "reiterated its regret at the deaths" but also "reaffirmed its responsibility for safeguarding with all means all the peoples of South Africa in their right to work and partake in cultural and political activity without fear."

It added that the Government and South Africa owe the police their "gratitude and appreciation" for bearing the brunt of maintaining law and order at a time of lawlessness.

It pledged the following action:

- Review of procedures relating to applications for the prohibition of funerals.
- Constant review of the needs of the police in terms of manpower, equipment and training to carry out riot control efficiently but at the least danger to themselves and the public.
- A board of inquiry under the Police Act "to consider matters relating to certain findings by the Commission in respect of the South African police."

have been effective in dispersing the crowd even after it left Maduna Square (the meeting point in Langa) and started to move towards Uitenhage."

The report refutes allegations made at the hearings that police had tampered with evidence by placing stones near the dead and wounded or had shot and killed wounded victims. Evidence given in this regard was "unsatisfactory" and furthermore "there was no reason for it and had it happened it would have been cold blooded murder."

At the same time, however, the report accuses the police of exaggerating the arms carried by the crowd. After the crowd were dispersed "the only weapons left on the scene were a piece of wood, a pick handle and a length of iron."

Roger Matthews examines the consequences of the latest crisis facing Unifil peacekeeping forces UN finds persuasion a futile weapon in Lebanon

THE SEIZURE last Friday of 24 Finnish troops in south Lebanon is only the latest, but certainly one of the gravest, in a series of crises to have faced the United Nations Truce Supervision Force in Lebanon (Unifil) since it was first deployed in the spring of 1978.

For the past seven years, the UN troops have attempted to use persuasion as their principal weapon in a country wracked by internal feuding and subjected to foreign invasion. During that period they have suffered at least 100 casualties, of whom some 40 have been killed.

They were denied from the outset the opportunity to fulfil their mandate, which was to oversee the Israeli withdrawal following the 1978 invasion and more critically to assist the Lebanese Government in re-establishing its authority over the south.

The UN troops, to achieve that objective, had to be deployed down to the international border, but this was prevented by the Israeli-backed militia of the late Major Saad Haddad which sought to exercise its own authority in the border area.

At UN headquarters in New York there has been considerable pride in the professionalism of the 10-nation Unifil force now numbering some 5,800 men. Although little appreciated, it is claimed that Unifil proved highly successful

Israel hopes its new plan for Middle East peace talks will smooth out differences with Washington and reduce the risk of the U.S. getting closer to the Palestine Liberation Organisation (PLO), our Tel Aviv Correspondent writes.

Officials yesterday acknowledged there was little new in the five-part plan outlined by Mr Shimon Peres, the Prime Minister, but said they hoped it would prevent Israel being left out of the initial phase of any new peace process.

After months of Jordanian and Egyptian peace diplomacy, Mr Peres was anxious to launch an initiative of his own. Time was running out for the Labour Party leader. Under the coalition agreement he must hand over power to Mr Yitzhak Shamir, Foreign Minister, a right-wing hard liner, next year.

In a clear "it's now or never" message to Jordan's King Hussein, Mr Peres urged that Israel, Jordan, Palestinians and the U.S. begin direct talks within three months.

"It became clear to the Prime Minister that when the topic is peace, one should be talking about an Israeli initiative and we should not just say no to Hussein on the points where we disagree," said Mr Uri Saviv Peres' spokesman.

Minister, served to make Unifil's role temporarily irrelevant. Israeli troops swept through Unifil positions without hindrance as they embarked on their ambitious plan to rid Lebanon of an armed Palestine Liberation Organisation (PLO) presence and reconstruct the country politically under the leadership of President-elect Bashir Gemayel.

It was not until political failures and unacceptably high military losses forced Israel into a phased withdrawal from Lebanon that Unifil's contribution was again discussed.

although in the interim the Lebanese Government has always sought and won the six-monthly renewal of the Unifil mandate.

The situation Unifil faces today parallels that of 1978. Once again Israel has officially withdrawn from Lebanon and again it has left behind advisers and intelligence officers to assist a militia of its own creation, the South Lebanon Army, to police a 7-12 mile zone.

So Unifil is once more frustrated from extending its mandate down to the border; but this time, instead of Pales-

tinian guerrillas, it is the Shi'ite militia Amal which is seeking to attack the Israeli-backed militia.

It was the inevitable hostility between the SLA and Amal which sparked off the present crisis. Shi'ite gunmen succeeded in capturing 11 SLA men. Amal says they defected; the SLA insists they were captured with Unifil connivance. In retaliation, the SLA seized 24 Finns, three of whom were subsequently released.

Intensive top-level contacts between Israel and contributing

governments to Unifil have so far failed to secure the release of the Finns, although the SLA has withdrawn its threat to kill the hostages. Israel claims that, despite financing and equipping the SLA, it has limited authority over its actions.

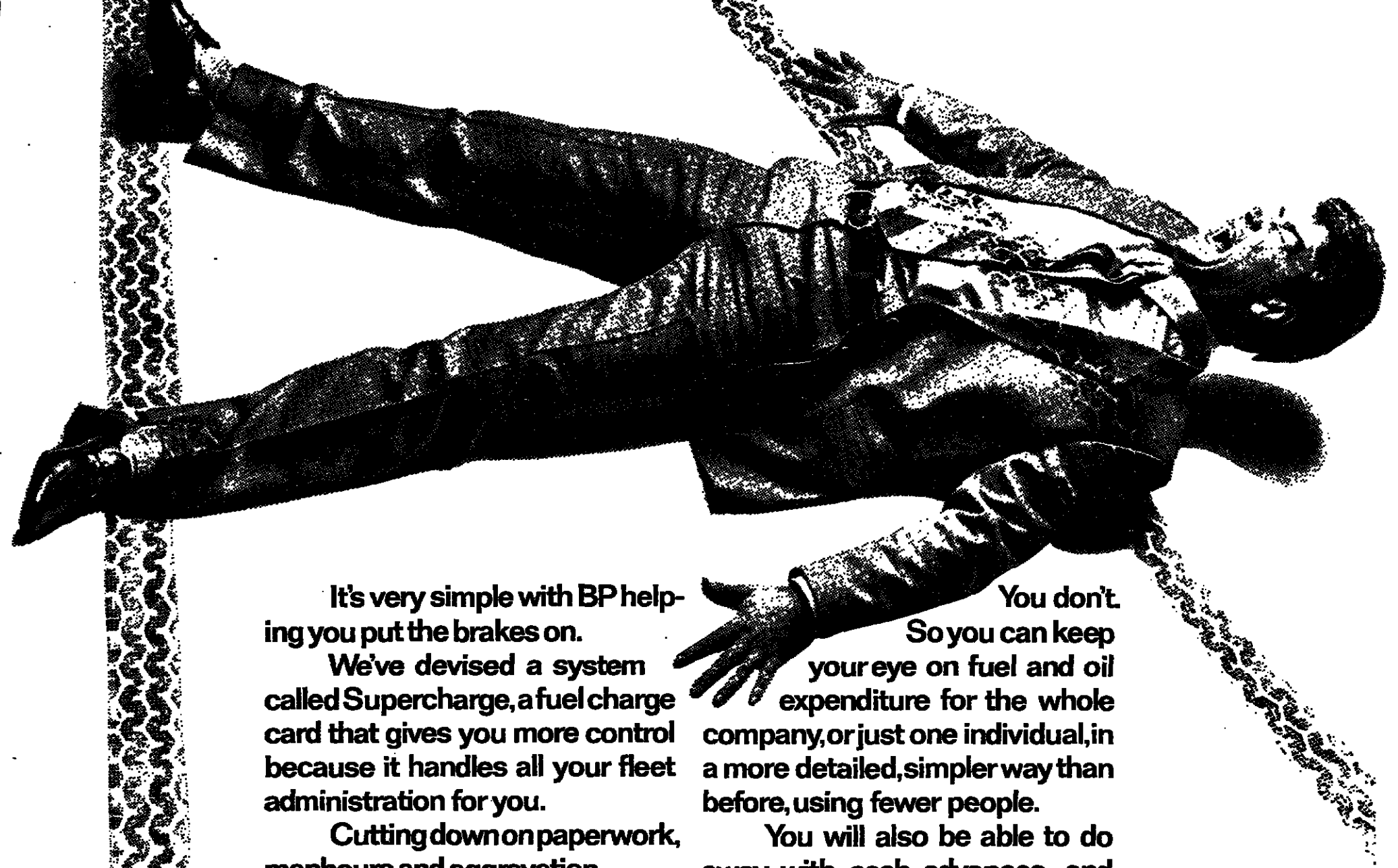
However, there is little doubt that Israel would prefer Unifil to withdraw so that it can pursue without any external involvement its aim of imposing an agreement with Amal. The armed Shi'ites in the south have been left in no doubt that if they wish to avoid further punitive treatment they will neither attack Israeli territory nor permit any other force to do so.

Amal appears equally determined that it will rid the south of all Israelis and any local militia which acts in co-operation with them.

Unifil continues to be caught between these opposing forces and, as ever in UN peace-keeping operations, the effectiveness with which it can exercise its role must ultimately depend on whether those forces genuinely desire a peace to be maintained.

Whether those nations which contribute to Unifil think it is still worth trying in southern Lebanon will be known officially in October, when its mandate is due to be renewed. The manner in which the present crisis is resolved is obviously going to be crucial to the future of a UN presence in that country.

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Australian unions to seek changes in tax plans

BY MICHAEL THOMPSON-NOEL IN SYDNEY

THE Australian Council of Trade Unions (ACTU) is expected to demand exemption of food and other necessities from the broad-based consumption tax which forms an integral part of the Hawke Government's plan for sweeping reform of the tax system.

Union views are bound to be the key factor in the tax reform package expected later this year. The tax issue is already shaping up to be a make-or-buy test of Mr Bob Hawke's Labor Government in Canberra.

Last week the Government published a White Paper proposing introduction of a consumption tax (similar to Britain's VAT), and reductions in marginal income tax rates at all levels.

The package is politically attractive but carries big risks—namely in calling for a tax on real capital gains, a crack-down on fringe benefits, and sweeping examination of tax

Afghanistan siege lifted

THE Soviet Union has gained its first major victory in the Konar Valley of Afghanistan, which borders Pakistan, by lifting the one-year-old siege of the key outpost of Barikot, according to western diplomatic sources in New Delhi, writes K. R. Sharma in New Delhi.

This follows a concerted offensive which began in mid-May in which at least 10,000 Soviet and Afghan troops were involved and 800 military vehicles. The object of the offensive was to cut off the main

supply route for the Mujahadin (rebel) forces operating from bases in Pakistan. A garrison had been besieged at Barikot, a short distance from the border, by rebels for nearly a year.

The next objective of the Soviet campaign is likely to be to seal the supply route, which diplomats in New Delhi feel could be achieved within a fortnight.

When this happens, the rebels will be seriously handicapped in sending men and materials into Afghanistan.

WORLD TRADE NEWS

Western investment sought for Czech consumer electronics

By DAVID BUCHAN, EAST EUROPE CORRESPONDENT

CZECHOSLOVAKIA is making a limited exception to its long-time ban on direct Western investment in its industry in order to attract Western investment in its consumer electronics joint venture, a Czechoslovak minister revealed in London yesterday.

Czechoslovakia would thus be putting itself in a "middle position" in Comecon, between Hungary, Poland, Romania and Bulgaria which permit a range of Western investment, and the Soviet Union and East Germany which do not permit any.

Addressing UK businessmen at a "Czechoslovak Business Week" being held in London and Manchester this week, Mr. Karol Horvath, deputy minister of the Electrotechnical Ministry, cited examples of consumer products that Prague was interested in such as televisions, compact disc players, video recorders and lamps.

He gave two main reasons why the Prague Government had chosen this sector in which to relax its inhibitions about Western investment. First, consumer electronics were largely unaffected by Western export controls.

Abe in E. German talks

By LESLIE COLLITT IN BERLIN

JAPAN'S Foreign Minister, Mr. Shintaro Abe, is expected to hear a familiar complaint today in talks with East German officials on the heavy imbalance in trade between the two countries. Mr. Abe arrived from Poland, on the first visit to East Germany by a Japanese Foreign Minister since diplomatic relations were established in 1972.

While Japan sold \$153m (£122m) in products to East Germany last year, it bought only \$22m worth of East German goods. The imbalance was

even worse in 1983, when Japan exported \$25m and East Germany sold only \$7m.

Japanese diplomats said East German officials would raise the trade problem.

They explained that because East Germany demands counter payment for a considerable portion of its imports from Japan, Japanese trading houses were re-selling East German goods to third countries. Thus these products were not recorded as Japanese imports from East Germany.

Reform plan for ECGD to be unveiled

By Christian Tyler, Trade Editor

PROPOSALS for a management shake-up of Britain's financially troubled export insurance agency, the Export Credits Guarantee Department, are due to be published today.

The recommendations of an internal review team, helped by outside management consultants, have been kept a close secret. But the City expects at least four suggestions to emerge: higher salaries for top ECGD managers, freeing them from civil service pay scales; a board of directors instead of the present advisory committee; separate underwriting of commercial and political risk; and devolution of some regional work into the hands of private insurance brokers.

The review was set up after ministers had rejected the central conclusion of a committee of outsiders appointed by them.

This committee, under Lord Matthews, said the ECGD should be converted from a government department into a public corporation in order to make it more responsible to its market and more efficient in its operation.

It is widely believed that the new inquiry has tried to remedy these alleged defects by less drastic means. Any serious reform of the department will need ministerial approval.

Finns in China deal
IVO Consulting, a subsidiary of Finland's State-owned power company IVO will sell district heating know-how to China. The company is working a heating plan for a town of 700,000 people in the northern part of China, Olli Virtanen reports from Helsinki. When the project is completed Finns expect to get involved in a number of similar projects around China. IVO Consulting won the deal after three years of negotiations, competing against Danish and Swedish companies.

Korea-U.S. venture
KIA Industrial of South Korea has established a joint venture with TRW of the U.S. to produce car parts, a KIA official said yesterday. AP-JD reports from Seoul.

Chris Sherwell, recently in Jakarta, examines the latest controversial reform Indonesia cleans up its ports and Customs

MANY A lurid story has been told of corruption in Indonesia's ports and Customs, of officials at all levels delaying clearance of goods, squeezing importers and exporters at scores of documentation stages and earning fortunes to pay for smart cars and overseas trips.

As of last month, however, all that is supposed to end. In the space of a few April days, the Government issued an array of 33 decrees completely reforming the ports and virtually ending the need for Customs staff by imposing a radical new system. The move followed the sacking earlier this year of the Customs chief, and is aimed at combating the costs, in efficiency and competitiveness, of the old corrupt ways. Just as important it is part of an ambitious programme of deregulation and reform which has already embraced investment procedures, the banking sector and tax system.

The ports and Customs are the latest target of the reformist onslaught. President Suharto, without any forewarning, issued a presidential instruction on April 4 which even the normally cautious World Bank described as "bold, far-reaching and sweeping". This was followed by a full set of implementing regulations from Indonesia's economics ministers, led by Dr. Ali Wardhana.

The new Customs regulations took effect on May 1. The most significant and controversial of them appointed Société Générale de Surveillance (SGS), a private Geneva-based firm, to inspect and certify imports in their country of origin and exports at their port of destination. Half the 13,000 Customs staff have since been given paid leave, and the immediate effect

has been to ensure prompt clearance through Indonesia's ports.

SGS has a three-year contract through a local surveying firm, PT Sucofindo, and has managed to set up its Jakarta operation from scratch in only two weeks. Its elegant and imaginative scheme cuts import and export procedures to a minimum because the firm has a full-time staff abroad of 13,800, at hundreds of cities in 140 different countries.

Under the scheme, an Indonesian buyer making payment by letter of credit (L/C) must advise SGS of the L/C and the Indonesia co-ordinating office in the country of the seller. Typically, this is done through his bank and the seller's bank. SGS will then physically inspect the goods to ensure that they are correctly classified and conform to the description on the invoice.

More importantly, however, SGS makes a "price comparison" to ensure that the price agreed between buyer and seller is, within reasonable limits, in line with the export price prevailing at the time the deal was struck.

If all is in order, SGS will issue a "clean bill of findings". Known in Indonesia as an LKP, this "bill" enables the seller to receive payment according to the original agreement. The Indonesian importer, however, will always have to pay duty on the full value assessed by SGS, and higher duties where goods are wrongly classified to incur lower ones.

Apart from increasing efficiency, one major effect of the system is to expose and remedy under-invoicing, a persistent malady in Indonesian trade and one helped by the absence of foreign exchange controls. If the importer disagrees with SGS's findings, he can appeal, but without an LKP he receives nothing.

Certain categories of goods, such as banned items, diplo-



Dr. Wardhana: Yull set of regulations

matic goods, weapons for the armed forces and exhibition equipment, are exempt from the new scheme and subject to Customs clearance in the usual fashion. So are goods below \$5,000 (23,940) in value, unless importers choose otherwise. They are already taking advantage of the new scheme to clear their goods more speedily.

Regarding Indonesian exports, the reforms mean that goods are no longer subject to regular Customs inspection in Indonesia. Where an exporter needs documentation in order to claim back subsidies or levies on his imported raw materials, SGS will inspect the export items at the port of destination.

Many Indonesian goods with no import content qualify for this so-called "drawback", but this is expected to change following Indonesia's signing of the Gatt code on export subsidies and countervailing duties earlier this year. The U.S. in particular had complained about the hidden subsidies offered under the old scheme.

All these import and export reforms, which eliminate the scores of signatures needed on trade documents, have been accompanied by equally radical changes at the ports, hitherto among the most expensive in the region.

The port changes simplify the complex web of charges for piloting, mooring, stowing and harbour-master fees, and reduce loading and storage charges. Special firms are also being established to improve cargo-handling, and cut stevedoring fees.

On top of this, the govern-

ment has abolished the special certificate required by foreign ships to call at Indonesian ports, and ended the need for inter-island ships to carry various forms of documentation. It has appointed new, more powerful port administrators to improve services and ordered the military to enforce the regulations.

Inevitably however, most attention has focused on the new import arrangements, and SGS officials have been addressing groups of local and foreign businessmen, traders and diplomats to explain how it all works. It is still too early to judge how successful the moves have been, and some importers say they want to test the system, and SGS.

It is also not certain what the likely implications will be for neighbouring Singapore, one of the world's busiest ports, through which many goods bound for Indonesia pass. The Singapore Government never divulges its Indonesian trade figures, partly because of the volume of smuggled goods involved but also because goods can change hands and classification, and price while waiting in Singapore and on their way to Indonesia. This latter trade will now be subject to SGS scrutiny.

SGS's "comprehensive import supervision scheme" has been used by 18 other governments before now including Zaire, Nigeria, Mexico and Angola. But Indonesia's resort to foreign assistance is clearly embarrassing. Its military-dominated government has had to acknowledge that its own Customs, run by figures second from the military, has failed the country.

Gulf Air cuts fares to combat rival from Dubai

GULF AIR, the national carrier for Bahrain, Qatar, Oman and the United Arab Emirates has made fare cuts of up to 25 per cent on routes between member countries. Angela Dixon reports from Abu Dhabi. This follows a decision by Dubai to form a new airline.

Dubai's new airline, Emirates Airlines Company, which is expected to start operations in October, will serve destinations in the region, on routes now served exclusively by Gulf Air.

Gulf Air, in which the governments of the four Gulf countries each have a 25 per cent share, made strenuous efforts

to dissuade Dubai from proceeding with its plan, even offering Dubai a one-fifth share in Gulf Air.

As the chief representative of Iata in the region, Gulf Air has been able to set fare prices and determine routes in the member countries. Travellers going from one Gulf destination to another have to fly with this airline, and Gulf Air fares have been among the highest in the world in terms of unit cost.

Competition on its home routes is particularly unwelcome. The visit is also seen as part of a process to rectify the trade imbalance that runs heavily in South Korea's favour.

UK delegation visits S. Korea

A DELEGATION of British industrialists, headed by Geoffrey Patten, UK Minister of State for Industry and Information Technology, has arrived in Seoul to promote the development of markets for British high technology products. Steven B. Butler reports from Seoul.

British embassy officials say the delegation could play a key role in introducing South Korean companies and government officials to the strengths of British industry.

The visit is also seen as part of a process to rectify the trade imbalance that runs heavily in South Korea's favour.

International coal trade set for rapid expansion

THE international coal trade is expected to expand to more than 600m tonnes a year by the year 2000, a 150 per cent increase over the 1983 level, despite reduction of earlier forecasts, Maurice Samuels reports.

The increase will be facilitated by the lack of any constraints in the transport systems of major importing and exporting countries and by the surplus tonnage in coal carrying vessels, currently put at 23 per cent.

This is the conclusion of a report by the Paris-based

International Energy Agency (IEA) into the infrastructure required for moving coal between various parts of the world.

In 1983, 290m tonnes of coal were traded world-wide, 5 per cent less than the recent 373m tonnes in 1982. Current IEA forecasts are for 405m tonnes in 1990 and 630m by the year 2000, representing 66 per cent and 156 per cent rises respectively over 1983.

Morning, Coal, International Energy Agency, 2 Rue Andre Pascal 75775 Paris Cedex 16, France.

ENERGY BLUEPRINT

PLANNED EFFICIENCY AND ECONOMY IN THE USE OF ELECTRICITY.

Laskys opt for energy-efficient comfort.

With first-hand knowledge of the advantages of heat pumps for environmental control, based on previous installations in several of their other stores, it was hardly surprising Laskys chose this system for their new retail hi-

fi TV and computer store in Cambridge. Laskys, a leader in the highly competitive field of retailing, wanted to create the right environment in which their customers can make their selections. They needed an efficient heating,

cooling and ventilation system that would keep staff and customers comfortable all year round.

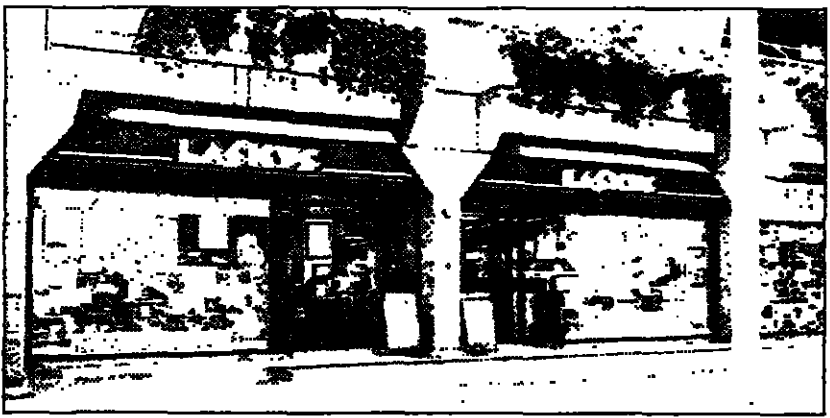
The new store, in the modern Grafton Centre Shopping Mall, has a floor area of 214 square metres. Cooling was needed to cope with the heat gains generated in a busy, modern store all day. At the same time, there had to be a low-cost way of heating the premises in winter. Because of the nature of the business, whatever system was chosen also had to be relatively quiet.

After talking with the local Electricity Board, Laskys found that they could meet their heating and cooling requirements with a single packaged air-to-air heat pump.

Rooftop Unit

The heat pump is located on the roof and conditioned air is ducted from it through a service void to the sales areas. The system is controlled by a time lock and outside thermostat. For maximum efficiency, the ventilation system normally recirculates 80% of the air in the building, with 20% being constantly replaced by fresh air.

For further information, tick box number 1.



Perton Middle School. A lesson in hot water economy.

One of the first lessons learnt at Perton Middle School, Staffordshire, was that electricity can save you money, particularly where water heating is concerned.

When Staffordshire County Council made a cost-use analysis to see which alternative offered the lowest running costs for the substantial quantities of hot water the new school would need, the clear choice was electric water heating at the point of use.

Planned for over 400 pupils and staff, and with a floor area of 2,250 square metres, Perton School needed a safe, reliable hot water supply throughout the building - in classrooms, domestic science, handicraft, medical and staff rooms, kitchen and showers. Some areas, such as kitchen and showers, needed lots of water; others just the occasional bucketful.

Eleven thermostatically controlled electric water heaters were installed at the school, varying in capacity from 10 to 1750 litres to meet individual location demands. By positioning these at the point of use, long heat-wasting pipe runs were avoided. All the heaters were factory insulated to minimise heat losses. Spray tips were fitted in children's toilets as another means of reducing the amount of water used and keeping down costs.

Low-cost night tariffs

Most of the water heaters are of a type which enables full advantage to be taken of low-cost night tariffs. With electric heating and water heating, in one year's operation 88% of all the electricity consumed was at the cheaper

night rate.

Mr Norman Preston, Chief Buildings Services Engineer in the County Architect's Department, and with experience of some 100 schools with similar water heating installations, said: "With economical capital, maintenance and operating costs, electric systems are really an attractive proposition. Considerable savings are possible if water heaters are put just where hot water is needed. Since the system is entirely automatic, operating costs are further reduced and maintenance is minimised."

Perton School is also used extensively for evening community activities. Headmaster Mr D E Jones commented: "The operation of the water heating system has proved entirely satisfactory for children and adults alike."

For further information, tick box number 2.

London Hospital, Whitechapel.

Over 2,000 hot meals a day are just what the doctor ordered.



Electric cook-chill means hotter, more enjoyable meals for patients.

Feeding some 700 patients and staff at the London Hospital at Whitechapel used to present a major headache for district manager Peter Kerry.

The old bulk-heated food trolley system meant that food was often cold by the time it reached the wards. 20% was wasted, there was no portion control and no choice of menu for the patients. After examining all the options, Peter Kerry decided that the cook-chill system was the cleanest, most convenient and most efficient system for his needs.

Cook-chill is based on the normal preparation and cooking of food, followed by rapid chilling and storage. At meal times the food is simply retrieved from storage and re-generated (re-heated) immediately.

At the London Hospital, the three old kitchens were made into one central production kitchen. Food production is now a streamlined operation that

makes use of fewer items of equipment, more intensively and efficiently.

Next to the production kitchen is a new development in cook-chill - a food handling area which is environmentally controlled at 10°C. Here bulk

food from storage is divided into ward requirements.

The patients' meals are re-generated at the wards in special, high efficiency, electric radiant ovens. Each can deal with 15-30 meals every 30 minutes.

Staff food is regenerated next to the staff dining room and passed straight through to the canteen, piped hot.

Peter Kerry finds that his staff are employed more efficiently, and the cook-chill system even out the peak and slack periods of traditional kitchen operations. The kitchen equipment is used to maximum efficiency; food, as production can be scheduled over the full working day.

Quality and portion control are simplified. A wider range of dishes can be produced and stored than is normally possible in large scale operations using bulk-heated food trolley systems.

Cook-chill systems can be adapted to a wide variety of commercial and institutional situations - everything from using spare kitchen capacity in a small-sized operation to providing industrial staff catering on a large scale.

At the London Hospital, cook-chill has proved to be so successful that it is being extended to supply high quality meals to other hospitals in the district.

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AMERICAN NEWS

Reagan's 'last warning' on Salt violations

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan's renewed but qualified commitment to the Salt 2 treaty was intended as a "last warning" to the Soviet Union to cease violating arms control agreements or face an accelerated U.S. strategic build-up. Mr. Kenneth Adelman, the Director of the U.S. Arms Control and Disarmament Agency, said in Washington yesterday.

He stressed, however, that the U.S. would continue to stay at the Geneva arms negotiating table, regardless of whether or not Moscow met its treaty obligations. Continuing Soviet non-compliance with Salt, and failure to correct past violations, would be met with "proportionate" U.S. military responses, rather than a U.S. walk-out from Geneva, he said.

Mr. Adelman's remarks came as conservatives, who were at first appalled by Mr. Reagan's provisional decision to comply with treaty limits, were beginning to find some comfort in the carefully drafted announcement that he announced on Monday afternoon.

By yesterday it was becoming clearer that Mr. Reagan had done little more than postpone a final decision for perhaps a few months, and put himself in a position in which he could well find himself obliged to break treaty limits if Soviet violations continue.

Mr. Caspar Weinberger, the Defence Secretary, who had led the conservative attempt to persuade Mr. Reagan to abandon the treaty after it expires

at the end of the year, issued a public statement of support of the decision. "What the President is really saying is that the Soviets have until the end of the year to deal with our compliance concerns and deal seriously in Geneva," said a senior Pentagon official.

Few experts in Washington believe that Moscow will come anywhere near meeting Mr. Reagan's demands for treaty compliance.

In the expected absence of any such move by Moscow, the Pentagon and its conservative allies will be in a strong position to insist that Mr. Reagan carry out his threats to augment the U.S. build-up.

This could take the form of building more than the

scheduled 100 B-1 strategic bombers or putting the eighth Trident submarine, the USS Nevada, to sea next year without dismantling, as older Poseidon. That would be a clear breach of treaty limits.

Regardless of how Moscow reacts, the U.S. will in any case now regard its planned new mobile, single-warhead missile, the Midgetman, as totally exempt from treaty restraints, Mr. Adelman said.

Mr. Adelman admitted that the Administration might have a problem persuading Congress to approve funds for an accelerated build-up, but he said he detected a "sea change" in congressional attitudes to Soviet violations and that Moscow must be penalised for "cheating."

Nicaragua 'given \$402m aid pledges'

BY TIM COONE IN MANAGUA

Nicaragua has received substantial finance aid commitments totalling \$402m from Western and Eastern Europe as a result of the recent visits of President Daniel Ortega and Vice-President Dr Sergio Ramirez.

Dr Ramirez, on his return to Nicaragua this week, said: "We are very satisfied with the results," he pointed out that \$202m had been provided by the "USSR, the socialist community and Yugoslavia" and \$200m from Western Europe, which

he said, reflected "Nicaragua's policy of non-alignment."

The President said not all the aid was for 1985; some was due for dispersal in 1986. A further part is to be dispersed over a longer period for big investment projects such as a geothermal energy plant, being financed by Italy, and a vegetable oil extraction plant to be financed by the Netherlands.

Dr Ramirez said: "The aid is not going to resolve all our problems, but will go a long way to resolving a

substantial part of them." He said the U.S. trade embargo had created difficulties for Nicaragua, but that they could be overcome, especially with the support obtained in Europe.

Nicaragua still faces a potential balance of payments deficit of \$500m in 1985 because of poor coffee and cotton harvests last season. If sufficient finance is not forthcoming, there are again likely to be critical shortages of raw materials that might affect the coming season's

production of coffee and cotton, which together produce around 80 per cent of Nicaragua's export earnings.

Meanwhile, Nicaragua is continuing to face diplomatic problems with Costa Rica after an attack on its embassy in San José by a right-wing mob on Monday. Nicaragua warned Costa Rica several days before the attack that it was expecting such an incident and requested adequate protection for the embassy. The request was turned down.



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UK NEWS

Lawson urges increase in small shareholders

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MR NIGEL LAWSON, the Chancellor of the Exchequer, yesterday urged the City of London and the building societies to make it easier for small investors to build up a stake in British industry.

He said that he hoped the current shake-up of City institutions would help to bring down costs for small investors.

At the same time, he said, the Government's Building Societies Bill would allow the societies - savings institutions which lend money for house purchase - to offer outlets in shopping centres for buying and selling of shares.

These changes would require imagination and enterprise as well as a campaign to educate the public about the advantages of owning shares.

Mr Lawson said that if the institutions took up the challenge, there was a major new market to be tapped.

The abolition of fixed minimum commissions would mean lower charges for institutional investors, but it did not follow that costs for small investors would rise, as American experience had shown.

The Chancellor was delivering the Maurice Macmillan Memorial Lecture to the Wider Share Ownership Council in London on the broad theme of how to turn Britain

irrevocably into a property-owning democracy.

He said the Government's success since 1979 had already had a major effect in transforming attitudes towards profits and the creation of wealth. The measures taken by the Government included:

● A major move towards home ownership the "foundation stone of the property-owning democracy." The sale of some 750,000 public sector houses to tenants had boosted home ownership to more than 80 per cent of all households. These sales had fostered pride of ownership, better maintenance and also a profound change of attitudes.

● Better tax treatment of employee share schemes. The number of these schemes had grown from 39 to about 800, involving 750,000 employees. Their share options now had an original value of more than £1bn. This was "little short of a revolution in employee share ownership."

Since the more favourable tax treatment of share options schemes announced in last year's budget, some 1,290 schemes had been submitted for approval.

● Wider share ownership had been encouraged by a series of tax changes including: the halving of stamp duty and a six-fold rise in the threshold at which capital gains tax

becomes payable. The business expansion scheme and unlisted securities markets had helped investment in smaller companies.

● The privatisation of 12 major state-owned companies had created an appetite for share ownership among the British public, which others besides the Government could satisfy. About 390,000 employees had acquired shares in the companies they worked for as a result of the privatisation programme so far.

Mr Lawson said that the selling of British Telecom, the largest new issue to have been floated anywhere in the world, had involved 750,000 individual shareholders.

"Many of them probably never owned a share in their lives before," he said, but all of them now saw themselves as owning a stake in British industry.

These were major steps towards replacing the "sterile form and as ostentatious" by a sense of common interest and shared purpose. This was the Government's vision: the privatisation programme and encouragement of wider share ownership were means towards this end.

He said: "What we are seeking to do is nothing less than to transform the nature of the society in which we live."

Member of Exchange council resigns

By John Moore

MR JEREMY LEWIS, a member of the London Stock Exchange ruling council, yesterday resigned his seat because of his opposition to proposed constitutional reforms at the exchange.

He immediately stood for a place on the council at elections to be fought later this month, in what is expected to be the most hotly contested election the exchange has seen for years.

Mr Lewis, a partner with stockbrokers Seymour Pierce, was advised to resign his seat yesterday by senior stock exchange figures after his public opposition last week to a reform package.

The changes would have led to outside groups that have forged links with stock exchange firms gaining a bigger say in the affairs of the market.

Mr Lewis, who had been a member of the constitutional committee that had drawn up the reforms, spoke out against them at a meeting of stock exchange members last week. In a later vote, while reforms which will allow outsiders to own 100 per cent of stock exchange firms was passed, a second vote on the constitutional changes failed narrowly to gain enough support.

Alliance Society taps market

BY MARGARET HUGHES

THE ALLIANCE Building Society has tapped the capital market for the first time to raise £75m through a syndicated revolving credit facility. It is doing so because this is at current rates of interest a cheaper source of funds than investors' deposits.

The society, which is planning to merge with the Leicester Building Society to become the fourth largest with assets of over £2bn, is the second of the large building societies to turn to the capital market this year. In March Britain's largest society, the Halifax, raised £100m in what marked its debut in the syndicated loan market. Previous forays by societies into the syndicated loan market - by the Anglia, Yorkshire and Midlands societies

have been on a much smaller scale.

The Alliance, which has raised a larger proportion of its funds from wholesale sources than other societies, said yesterday that it was tapping the syndicated loan market at this moment because it provided a cheaper source of funds than savers' investment accounts.

The Alliance is currently paying investors between 10.8 per cent and 10.25 per cent net of basic rate tax, equivalent to a gross return of 14.28 per cent to 14.84 per cent. Some societies are paying even more for their traditional source of funds.

The return which Alliance is now paying investors compares with a margin of 0.1875 percentage points above Libor (London interbank offered rate) for sterling money mar-

ket rates. The Alliance has the option to pay interest at three months, six months or, with the syndicate's agreement, at any other interval. At yesterday's six months rate the interest rate would be 12.90 per cent, some 1.5 percentage points less than the cost of retail funds.

The terms of the revolving credit facility are less generous than those paid by the Halifax on its syndicated loan of 0.15825 of a percentage point. But the Alliance sees this as the price which it has to pay for the status of the international banks participating in the syndicate, which is lead managed by J. Henry Schroder Wagg.

By the end of this year the Alliance will have raised some £425m from sources other than investors'

deposits. This has been largely through certificates of deposit. However, the Alliance was the first society to issue fixed rate bonds, but their attraction has diminished since the recent crackdown on bond "washing". This was the practice whereby investors would sell bonds shortly before the dividend was due to avoid paying tax on the dividend, paying only the smaller capital gains tax.

The Alliance sees its present move as the prelude to tapping the Eurobond market once societies are allowed to pay interest gross. The Alliance is planning a similar move to that announced on Monday by the Nationwide Building Society, which plans to raise £100m through a floating rate note issue.

Lancia importers pin hopes on new model

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE FUTURE of the Lancia car business in Britain is heavily bound up with a new model launched today, says Mr John Norman, managing director of the Harco group subsidiary which imports the Italian cars.

The newcomer, a luxury mini car called the Y10, needs to stem the steep decline in Lancia's volume sales, down from a peak 11,764 in 1978 to only 2,639 last year.

Lancia, the import company, hopes that Y10 sales will reach at

least 3,000 a year and possibly 5,000. That would go a long way towards the 8,000 annual registrations the company needs to be viable and to justify a reasonable dealer network.

In Italy, Lancia, a Fiat subsidiary, pulled out all the stops to get the right-hand-drive versions of the Y10 into the UK market in time for the peak selling season which comes to a climax in August with the introduction of the new prefix letter - this year "C".

As a result, Britain is the first ex-

port market to have the Y10, which was launched in Italy in March. Three versions are available in the UK: the Fire (using Fiat's new Fire 1000 engine) Touring and Turbo, with prices ranging from £4,330 to £5,785.

Mr Norman claimed yesterday that initial reaction of dealers had been enthusiastic and the first two months allocation - 500 cars - had been sold before the launch.

The newcomer will be advertised in television, the first time in five

years Lancia has used this medium. The launch budget is about £1m, relatively modest compared with other companies and the C5n Fiat spent to launch the Lancia Delta in Britain in July, 1980.

Mr Norman said that Lancia will spend most of its other promotional money this year to upgrade the dealer network. Five or six dealers from the current 100 are being replaced every month as part of this exercise. Lancia ultimately hopes to have 150 dealers.

Demand for Opec's oil 'at low point'

BY DOMINIC LAWSON

THIS YEAR will mark the low point in the world's demand for oil produced by the Organisation of Petroleum Exporting Countries (Opec), according to British Petroleum (BP), which yesterday published its annual review of world energy.

As world demand for oil stagnates, Opec's difficulties have been exacerbated by the relentless increase in oil production outside Opec.

Mr Russell Seal, BP Oil International's general manager, trade and supply, said yesterday that non-Opec production had increased in 1984 by 1.5m barrels per day to 24.5m b/d. It was now running at 25.4m b/d and would add at that level for the rest of the year.

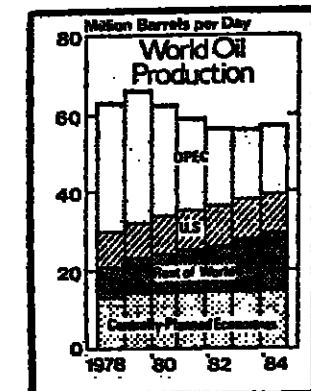
Increasing production by developing countries in the Far East was a key factor in Opec's predicament. But the North Sea producers once again boosted output, with a 9.6 per cent increase from the UK and a 15 per cent increase from Norway.

BP said yesterday that it expected demand for oil not to fall over the next two years and that non-Opec countries would do well to maintain current output levels.

Last year demand for oil increased by 1.9 per cent, the first increase since 1978. But BP pointed out that the performance of oil was "particularly poor considering that some 0.5 per cent of the 1.9 per cent increase in oil demand during 1984 was a direct result of the UK miners' strike and against a background of a 4 per cent increase in overall energy demand."

The report further underlines the extent to which other fuels, cheaper than oil, are continuing to take oil's once dominant place in the energy market.

World gas use grew by 6 per cent, with Japan in particular switching from oil to gas. Total world coal consumption was up by 4 per cent, despite a 30 per cent reduction in the UK caused by the pit strikes.



Last year showed a 17 per cent rise in the amount of electricity generated by nuclear plants, this displaced over 40m tonnes of fossil fuel and reduced the demand for fuel oil.

In order to maintain oil prices, Opec last year cut its output ceiling to 16m b/d. But Mr Seal said yesterday that BP estimated that Opec production in May might have slipped below 15m b/d in response to the weakness in oil demand. However, BP rejected any idea that Britain should attempt to ease the downward pressure on oil prices by cutting North Sea production.

Mr James Ross, BP's general manager, corporate planning, yesterday showed the company's anxiety at the current state of the oil market with an attack on those in consuming nations who welcome a return to "cheap oil."

The oil price has fallen by over a quarter in real dollars over the past five years and Mr Ross admitted that, "with Opec's surplus capacity overhanging the market, some might see even larger price falls ahead."

Mr Ross conceded that future growth in energy demand would be satisfied mainly by gas, coal and nuclear power.

North Sea tax revenues, Page 10

Warning on subsidies to foreign companies

BY WALTER ELLIS

BRITISH INDUSTRY is being hit increasingly hard by government subsidies to foreign companies wishing to set up manufacturing facilities in the UK, according to the Electronic Components Industry Federation.

Mr Richard Bullock, the ECIF director-general, said yesterday that accepted guidelines on subsidies were being allowed to slip, partly through political expediency.

Earlier, a delegation of ECIF Council members, led by Dr Melvyn Larkin, technical director of Plessey had met Mr Norman Lamont, Minister of State at the Department of Trade and Industry, to demand a stricter adherence to the guidelines.

Mr Lamont told the delegation he would study the case presented to him and would try in future to consult with established companies in Britain before agreeing to subsidise potential competitors.

Guidelines on subsidies to incoming electronics companies were first laid down in 1980 and were endorsed again this year. They cover the need for the Government to ensure that companies wishing to move in to the UK should not add needlessly to existing spare capacity.

The ECIF argues that bringing in new overseas companies on the basis of state subsidy too often has the effect of hurting existing companies.

Bae to cut workforce

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE (BAe) is planning to reduce its workforce at its Warton (Lancashire) division over the years, by introducing a programme of voluntary early retirement. No enforced redundancies are involved.

The Warton division, part of the military aircraft group, which builds the Tornado Anglo-West German multi-role combat aircraft, currently employs about 16,000 and the aim is to reduce this over the next few years at an average rate of about 500 a year.

No firm future level of the workforce is fixed. Much depends on the workload involved, especially whether or not a new fighter project (either collaborative or an all-UK venture) replaces the Tornado as the latter programme runs down.

The plan, now being discussed with the unions at Warton, is for all personnel who have served for more than 10 years, to be able to opt for early retirement if they wish.

A similar plan was introduced for a brief period a few years ago, and is now being reactivated.

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UK NEWS

Shortfall forecast in North Sea revenue

BY DOMINIC LAWSON

UK TAX REVENUES from the North Sea will fall about £5bn short of Treasury forecasts over the next two years, according to a report released yesterday by stockbroker Wood Mackenzie.

The broker, specialist in the oil market, believes in the current fiscal year the Government will receive £11.2bn from North Sea taxes, a shortfall of almost £2½bn on the March budget's projection of £13.5bn.

For the next fiscal year, to April 1987, Wood Mackenzie argues that the tax take will be only £9.2bn, compared with published government forecasts of £11.5bn.

"A cumulative shortfall of £5bn or more is possible before the next election, which will place the Government's PSBR (public sector borrowing requirement) targets in jeopardy," the report argues.

One of the key factors in Wood Mackenzie's pessimism is a belief that the dollar will weaken against the pound, thus cutting North Sea revenues which are dollar denominated. The Government had based its forecast on the then prevailing sterling/dollar rate and on the pre-vailing dollar oil price.

Wood Mackenzie bases its analysis on the assumption that the Organisation of Petroleum Exporting Countries (Opec) will maintain its present level of official prices throughout this year, but that spot prices will continue to trade well below official prices, with North Sea Brent remaining at about \$27 a barrel.

The major benefits of the North Sea oil to the UK economy lie in the past, says the report. It adds, "Unfortunately, there are no more barrels to be scaled."

The UK oil output of 2.77m barrels per day reached in January is unlikely to be seen again, while the dollar has fallen by over 20 per cent

against sterling since the end of February, the brokers point out. Last year oil price weakness tended to prompt a compensating drop in the value of the pound against the dollar, thus preserving the Government's oil revenues.

Wood Mackenzie points out that the recent oil price weakness has seen sterling bearing up well, suggesting that an official Opec price cut need not produce a compensating fall in the exchange rate. So a cut of, for example, \$2 a barrel in the oil price could feed straight through as a £1bn reduction in government revenues, the report concludes.

Argyll to challenge foodstore leaders

By David Churchill

A FRESH challenge to the market dominance of Tesco, J. Sainsbury, and Asda in the £27bn a year grocery trade was launched yesterday by Mr James Gulliver's Argyll Group.

Argyll, which yesterday reported sharply improved sales and profits for the last financial year, is planning to give an £8m facelift to its 1,000 UK stores to create two national retail chains.

The present 150-strong Presto chain will be more than doubled in size over the next three years by the revamping of Argyll's Liptons, Templeton and Hinton stores. The aim will be to create a supermarket chain with stores able to compete with the best medium-sized stores operated by Tesco, Sainsbury and other national chains.

At the same time, Argyll's 140 "Lo-Cost" chain of small convenience stores will be increased to almost 400 stores over the next three years by the conversion of small stores in the group.

"We feel we have developed a trading formula at the convenience end of the market which we can translate into profits," Mr Gulliver said yesterday.

This new retail strategy will be supported by a £15m investment programme over the next two years on three new distribution centres to provide a more efficient service to the retail chains.

Argyll's plans, allied to an advertising campaign started by the superstore group Asda on Monday, will add fuel to the City of London's suspicions that a new price war among supermarket chains may be in the offing.

Pilkington counts the cost of redundancies

Nick Garnett looks at the pace of industrial change at St Helens, birthplace of Britain's largest glassmaker.

PILKINGTON BROTHERS, Britain's largest glassmaker, produced cash figures last week revealing the financial costs of redundancy. After spending £50m over the past five years on job cuts, it was expecting to spend a further £30m over the next two years.

What these bare numbers do not reveal is the human cost of industrial change, productivity drives, plant closures and manufacturing decline among a clutch of big companies that has afflicted St Helens, Pilkington's birthplace.

The South Lancashire town, which has found itself in Merseyside since local government reorganisation 11 years ago, has been drained of 16,500 jobs through redundancy since 1979, two thirds of them from the glass industry and many of the rest after five big plant closures.

This has bequeathed the town an unemployment rate of 19 per cent and 2.5m square feet of empty factory space.

A pool of 14,400 unemployed has been created from the outright closures of the British Sidac cellophane plant, Smurfit's packaging factory and the Rockware glass bottle site, together with the breaking up of the Capper Neill engineering group and the labour shedding by Pilkington, United Glass, Ruston Diesels (GEC) and, to a lesser extent, the National Coal Board with its three pits in the borough.

Pilkington's St Helens workforce has tumbled dramatically from 16,000 in the mid-1970s to little more than 7,000 today. But the St Helens job centre has just 370 vacancies on its books, 100 of them in the town.

The 1981 census showed that a third of St Helens workers went outside the borough for their jobs. It is little comfort that the travel to work area, incorporating Wigan which has an even higher rate of

unemployment than its neighbour, also has an unemployment rate of little under 20 per cent. Industry and housing live cheek by jowl in St Helens, which has a population of 200,000, half of them within the town itself.

It has one of Britain's largest proportionate Catholic populations and one of the best supported Rugby League clubs.

St Helens also possesses a much vaunted local structure for aiding small business start-ups and attracting companies. These bodies include the Community of St Helens Trust and Rainford Venture Capital (both set up by Pilkington) and the local metropolitan borough council's economic development council. They are all brought together in what is termed the Business Partnership of St Helens.

The St Helens Trust itself claims to have assisted more than 370 new enterprises since 1978, which have created 5,000 jobs. Some academics are sceptical of these figures.

Mr Graham White, the council's economic development officer, calculated that new jobs in the borough have been averaging 800 a year through start-ups and company relocations, with an average yearly take-up of 250,000 square feet of industrial and commercial space.

The sheer scale of the problem, however, is only too evident. This yearly figure of new jobs is half the number that Pilkington alone will shed over the next 12 months, having decided to lower its workforce to 5,700.

One effect of industrial change, aided by St Helens' development area status, is that the borough now has 12 clothing companies, including Courtlands Apparel, Janstorp International and Dashmore. Ironically, St Helens, which has never been a textile town, although it grew close to what was the world's greatest cotton manufacturing area, is now becoming more of one.

One development the council is pleased about is the decision of local analyst Alfred H. Knight to relocate from Wallasey to St Helens. It is also heartened by labour stability at some long-standing employers like Beecham.

Hope and despair rub shoulders in St Helens and the scores of other towns and cities in the north and West Midlands where unemployment is pushing 20 per cent.

"I think we'll turn unemployment round fast," says Mr David Boulton, the St Helens Trust director. "We have never been so busy." This optimism finds little support from Mr Gerry Caughey, coordinator for the Centre for the Unemployed, a rather sad but typical advice agency of a type which have sprung up in high unemployment areas.

"Many people just cannot cope," says Mr Caughey, the senior shop steward during the seven week Pilkington strike 15 years ago. "They are in a terrible bind, feeling no-one is bothered. They feel detached from society."

The council has handsome promotional literature, a substantial building programme, little urban blight and a sympathy with local industry recently reflected in a joint survey on skills needs. Two thirds of the borough is agricultural land.

One of the headaches for towns like St Helens is that most new jobs do not end up with those made redundant. Many of them are for women and for people who now commute into the town.

Specialisation brings success in paper and pulp industry

BY ANDREW FISHER

SPECIALISATION is the key to success in today's highly competitive paper industry, Mr John Worledge, chairman and chief executive of Wiggins Teape Group, told delegates at the Financial Times paper and pulp conference yesterday.

"A company which has no specialisation does not have a strategy, and it is those companies without strategies which will go to the wall," he said on the second day of the two-day gathering. Decisions on how to specialise should be part of a positive development plan rather than a defensive reaction to aggressive competition. "There will be no future, or escape, in specialisation by short-term opportunism," said Mr Worledge, who is also an executive director of BAT Industries, which owns Wiggins Teape. He said paper mills that had closed in Western Europe had either been unspecialised in the first place or had become so.

In the past 15 years, about 4.5m tonnes of capacity had been shut down in Europe, or more than 500 machines. In the same period, however, 5m tonnes of new capacity had also been installed, involving some 80 machines. "The high-volume sectors of the market have been taken over by mills which have specialised in low-cost manufacture by investing in large-scale machines."

A further 5m tonnes of capacity had been created by the expansion of existing mills and the conversion of newspaper and packaging machines. "Here we have the situation where machines no longer able to compete in one market sector are transferred to another sector, where they gain a new lease of life."

Noting that government had a particularly pronounced role in the industry in Canada and the Nordic countries, where it was very impor-

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Also focusing on the benefits of specialisation, but in reference to independent companies unlike Wiggins Teape, was Mr Ronald Wylie, former chief executive of Tullis Russell, the Scottish paper company. He contrasted the ways in which such companies could profit both from what he called "differentiated technology" and from having all operations on one site.

An independent company had to rely on its resources to survive. That concentrated the mind, "and in this industry of ours, with its record of low profitability and overcapacity, concentration is perhaps one of the keys to the independent company's success." Specialisation through new technologies could be expensive, however, Mr Wylie said. Tullis Russell itself had spent £14m on a new mill for its Truflo coated-paper process, and there were also high development expenses.

Mr Henry Poole, an analyst with stockbrokers Laing and Cruickshank, expressed mixed feelings about the paper industry. "It has always been highly cyclical, highly capital-intensive, and, in the long run, rather disappointing in terms of profitability."

Noting that government had a particularly pronounced role in the industry in Canada and the Nordic countries, where it was very impor-

tant in relation, to the whole economy, he said paper making could not be seen in isolation from the political context.

In strict commercial terms, the non-Communist world's output on standard newsprint should be concentrated in 40 or 50 mills, with four machines of 250,000 tonnes annual capacity each in every mill, using efficiently produced pulp and with heat recovery systems. Sweden's newsprint industry would be like that in 1980, he noted, with some 2m tonnes being produced on thirteen machines operated by four companies.

"It does not seem, however, that the same structure will be allowed to emerge in Canada. It also appears likely that much capacity elsewhere will be created or kept in being for reasons unconnected with the sheer economics of the lowest-cost production."

There were endless ways of spending money in a paper mill and many producers were doing their utmost to cut costs in existing plants by investing in new technology.

Mr Frank de Wit, chairman of Koninklijke Nederlandse Papierfabrieken (KNP), the Dutch paper group, floated the idea of the European Currency Unit (Ecu) being used by buyers in Europe.

Other speakers at the conference were Mr Krieger Ahlstrom, president of the Ahlstrom Paper and Industrial group of Finland, Mrs Rowena Mills, chief executive of Rowena Mills Associates, the packaging consultancy firm, and Mr David Butler, chairman of Butler, Cox and Partners, the management consultants.

Property team leaves Chase Manhattan

By William Cochrane

FIVE MEMBERS of Chase Manhattan Bank's property lending team in London are leaving to form a new company, backed by British and Commonwealth Shipping, which will specialise in arranging the financing of commercial and industrial property developments in the UK.

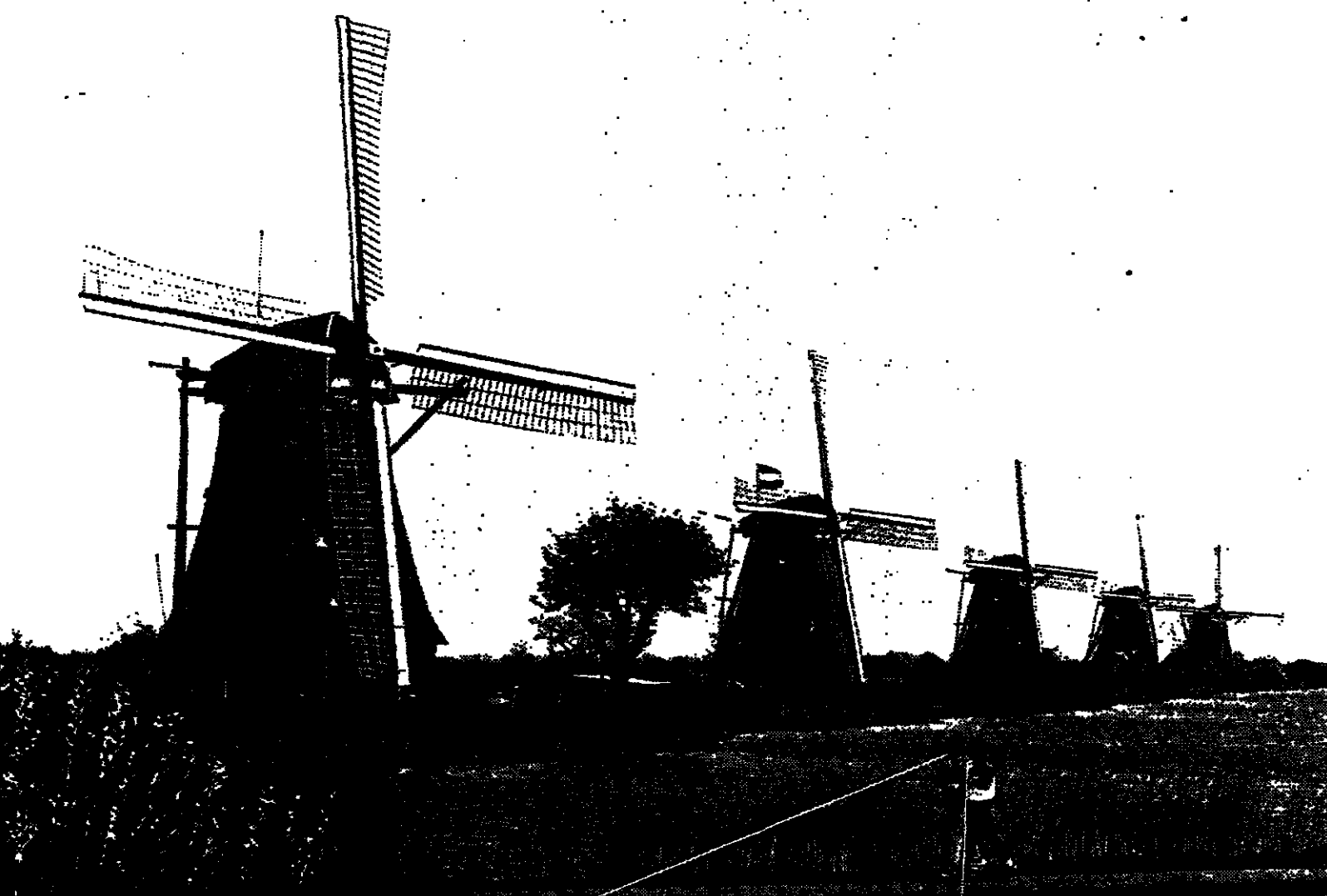
Chase, the third largest U.S. banking group, was known to be moving out of property lending in Britain and Europe. Meanwhile, UK developers and property professionals have been seeking ways to bridge the funding gap which appears when a new City of London office building can cost over £20m, and even big institutional funds can commit no more than £20m to one project.

The new company has signed a contract with Chase to supervise the rundown of its existing real estate loan portfolio. Reference has been made to problems in West Germany, but Mr Patrick Scott, who heads the spin-off group, said yesterday that these were 2½ years old.

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Associates Cap. Corp.	13%	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	12½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
Banco di Sicilia	12½%	Midland Bank	12½%
Bank of Cyprus	12½%	Morgan Grenfell	12½%
Bank of India	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of Scotland	12½%	National Bk. of Kuwait	12½%
Bank of South Africa	12½%	National Girobank	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	14%
Brown Shipley	12½%	Provincial Trust Ltd.	13½%
Cl. Bank Nederland	12½%	R. Raphael & Sons	12½%
Canada Permanent	12½%	P. S. Refson	12½%
Cayzer Ltd.	12½%	Rexburgs Guarantee	12½%
Cedar Holdings	13%	Royal Bank of Scotland	12½%
Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Chauhan	12½%	J. Henry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	12½%
Citibank Savings	12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Costes & Co. Ltd.	13½%	United Bank of Kuwait	12½%
Comm. Bk. N. East	13%	Westpac Banking Corp.	12½%
Consolidated Credits	12½%	Whiteaway Ltd.	12½%
Co-operative Bank	12½%	Williams & Glyn's	12½%
The Cyprus Popular Bk.	12½%	Winturst Secs. Ltd.	12½%
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Dusen Lawrie	12½%		
E. T. Trust	13%		
Exeter Trust Ltd.	13½%		
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First Nat. Secs. Ltd.	13½%		
Robert Fleming & Co.	12½%		
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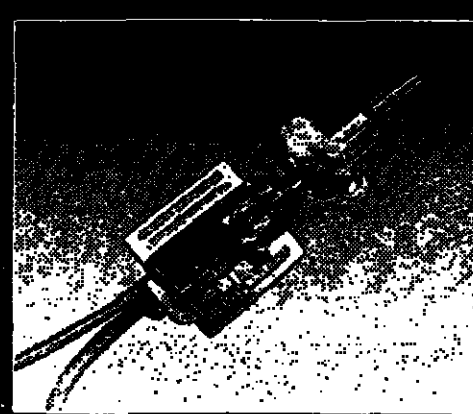
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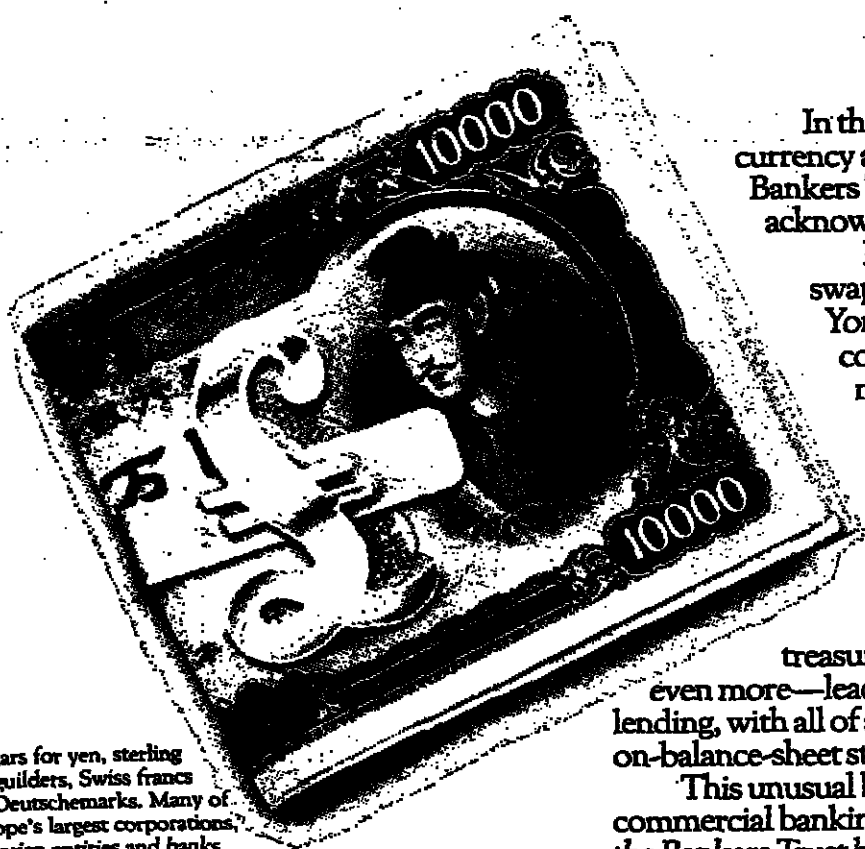
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RESOURCES REVIEW

Why Amoco has succeeded where others failed

By Ian Hargreaves



TO THOSE who argue that the day of the integrated, multinational oil company is done, the answer, perhaps, is Amoco. Standard Oil of Indiana, as it used to be called, has succeeded where many other oil companies have failed in reconciling the short-term pressures of Wall Street with the long-term instincts of the oilman and in maintaining strong financial performance in the tricky years since 1980.

Its net profits, on a rising curve since 1982, were last year the third largest in the industry, behind only Exxon and Shell. In 1984 its return on total assets (8.5 per cent) set Amoco alongside the mighty Exxon (8.7 per cent). Its return on equity has been maintained in the high teens in recent years, while

'Our industry has to look to the long term'

Mobil and Texaco have slid into single figures.

Perhaps because it was never one of the Seven Sisters — in 1932 Amoco sold its foreign interests to Standard Oil of New Jersey (now Exxon) — Amoco's emergence into the front rank of oil companies has gone relatively unnoticed.

Today, the company is the No 1 petrol retailer in the U.S. with 7.4 per cent of the market; and has the most aggressively expansionist exploration budget of any company in the world. Last year, Amoco spent \$4.6bn on capital programmes and exploration. This year, when many other companies are cutting back, the figure will rise to \$5.1bn. Over 80 per cent of this total goes on exploration and production.

Nor, these days, is Amoco only a force in the U.S. During the last 25 years it has reversed the philosophy behind that 1932 decision and is currently exploring in 34 countries. Amoco is now the leading oil producer in Egypt and last year entered seven new countries — all of them in Africa. At the same

time, the company has taken a tough line with governments which it feels drive too hard a licensing bargain with the oil companies. Amoco declined to join the first round of licensing offshore China and also excluded itself from the most recent Norwegian licensing round.

Mr Richard Morrow, Amoco's chairman, says he expects the foreign emphasis to grow. "In the last five to eight years, about one third of our total E and P spending was in the foreign area. This year it will be about 40 per cent. Over time, I would expect to see that gradually increase." Worldwide, Amoco has doubled its exploration acreage since 1980 and today has holdings of 170m acres.

Mr Morrow brooks no talk from Wall Street about the financial wisdom of investing ever larger sums in searching for commodity with a falling price. "Our industry is one that has to look to the long term. Many actions that we are taking today will not have any impact on our financial performance in the next 10 years."

Amoco, he insists, will continue to set itself the goal of finding more oil than it produces. In the last five years in the U.S., Amoco has replaced 111 per cent of its reserves against an industry average of around 80 per cent. "To the extent that you can't replace reserves you are faced with liquidating your asset base. This is our seed capital. That is why we are exploring so aggressively," he says.

But behind the scorn for Wall Street's short-sighted focus, Amoco has also, in the era of corporate raiders, been careful to keep its share price perky.

In the last year, the company has spent about \$1.7bn buying 10 per cent of its own shares. Although this programme appears to be almost over, Mr Morrow says share repurchase is "something we will continue to look at." The difference between Amoco and Arco, which is also buying its own shares, is that Amoco did not need to borrow money for the transaction. Amoco's long-term debt position is stable and its gearing low.

Amoco has also been quietly involved in a restructuring programme. Although its diversifications in the 1970s price boom were less extravagant than most, the company did acquire at the wrong time a substantial minerals business that is now

being spun off to shareholders as Cyprus Minerals. In recent years, the company has also pulled out of a Hawaiian cement business, closed three U.S. refineries and withdrawn from marketing in 11 U.S. states.

Amoco also sold its marketing and refining businesses in Italy and Australia, leaving it with only one foreign downstream interest — its UK refinery in Wales and its chain of UK petrol stations. These lose money and there is little doubt that the company would sell them if it could find a buyer. Officially, Mr Morrow's position is that "we have no plans at the present time."

Amoco is in no doubt that it wants to be an integrated company, in the sense that it wishes to produce as much crude oil as it refines. Currently its refinery output of almost 1m b/d slightly exceeds its crude oil and natural gas liquids production of 949,000 b/d. Mr Morrow says he aims to bring the two figures into balance by raising crude production.

The company's strategy is unique in the sense that, essentially, it is serving one market — the United States — but from an increasingly fragmented supply base. Amoco, says Mr Morrow, only went downstream outside the U.S. in the first place because of now defunct U.S. restrictions on the import of



Mr Richard Morrow, Amoco's chairman

foreign crude. "It is no longer necessary that we have an overseas marketing and refining system to help us dispose of overseas production," he explains.

But how does Amoco answer the charge that by pursuing an integrated strategy it is merely harnessing its profitable upstream operations to a structurally depressed and oversupplied downstream? And what does Mr Morrow make of

THE FIVE-YEAR RECORD

	1980	1981	1982	1983	1984
Net income (\$m)	1,915	1,922	1,826	1,868	2,183
Return on equity (%)	21.6	19.2	16.5	15.7	17.5
Long-term debt (\$m)	2,152	3,036	3,005	3,035	2,565
Capital spending (\$m)	4,192	5,227	4,453	4,110	4,530
Proved oil reserves (billion barrels)	2.6	2.7	2.6	2.6	2.6

the aggressive deficit refining strategy being pursued by companies like BP, which make a virtue of flexible movement in and out of oil spot markets in supplying their refineries?

"In current conditions, I wouldn't argue too much that purchasing oil on spot markets can be desirable. But for the long term, I still believe that those companies that control all their own production will fare better than those who have to go to the spot market for their oil," says Mr Morrow.

"When prices start to move up, as they will in the late 1980s and getting on through the 1990s, the control of oil for a company like ours will be very important."

Given that the short-term outlook for the oil market is weak, however, the strategy requires that Amoco has a low-cost, efficient operating base, in order to survive the hard times.

The evidence is that Amoco has succeeded in this regard. Its average finding costs in recent years have been lower than most. Of 16 major oil companies monitored by accountants Arthur Andersen, Amoco's worldwide average for the years 1980-83 was \$11.26 a barrel, ranking it fourth behind Shell Oil (\$8.73), Exxon and Unocal. In 1984, however, Amoco's costs rose sharply. The company has bet heavily on the value of U.S. offshore leases, paying over \$1.1bn in auction bonuses in the last two years.

Downstream, the company has shed 14 per cent of its refinery capacity and over 30 per cent of its petrol outlets since 1980. As a result, the downstream has remained just about profitable, although net income of \$123m in 1984 on assets of \$5.9bn is far from satisfactory.

For the future, Amoco's strategy is to continue to hunt

for major oil finds, even if that means paying handsomely for exploration rights. It will also work hard at the unglamorous but essential task of extracting more oil from old fields, by injecting carbon dioxide into wells and other tertiary recovery methods. So far, the company has avoided making major acquisitions, but Mr Morrow says this should not be ruled out, especially as the company rebuilds its cash base following the stock buy-back.

Downstream, apart from the UK, Amoco's position looks rather stable. However, it plans to expand its chemicals business further into the specialty products field. Amoco has done better with its chemicals business than most oil companies, with net income of \$211m last year on sales of \$2.8bn. Some 56 per cent of its chemical sales involve proprietary technology, which explains in part why the company was less caught than some others in cyclical bust of the last chemicals downturn.

Of course, Amoco's ambition — to be a low-cost, efficient producer and seller of oil, gas and chemicals, undiverted by other concerns — is not unique. It is a strategy which, in one way or another, all the large oil companies are now pursuing.

Perhaps the key to Amoco's success has been in its timing. Not having a middle East reserve, the company was not

traumatised by the Opec nationalisations of the 1960s and 1970s and it used this period to build up a very strong exploration and production base in the non-Opec world. Run for 23 years by the dynamic Mr John Swearingen, who in retirement is reshaping the distressed Chicago bank, Continental Illinois, Amoco managed to achieve this globalisation without losing control of its costs.

Mr Morrow, a slow-speaking West Virginian petroleum engineer who came up through the Amoco ranks, gives the impression of a man who knows exactly where he and his company are going. Asked whether

A man who knows exactly where he is going

the industry will change much in the next 10 years, he replies: "I wouldn't expect any dramatic change."

It is a judgment that a lot of people do not share but no one can quarrel with Amoco's record to date.

The first article in this series appeared on May 23. Subsequent articles have looked at the corporate strategies of Mobil (June 3), Arco (June 5) and Texaco (June 10).

A new booklet published by the Financial Times

CGT

CAPITAL GAINS THE KEY FIGURES FOR CALCULATING YOUR TAX

If you own unit trusts, shares, bonds, a second home, gold coins or other assets you bought before April 1982, the reforms in Capital Gains Tax announced in the Budget in March could save you hundreds or even thousands of pounds.

However, to take advantage of the new rules, you need to know the value of your assets on March 31, 1982 — and also, if you've been holding on for long enough, on April 6, 1965, when CGT was introduced.

The Financial Times is publishing a booklet, 'Capital Gains — The Key Figures for Calculating your Tax', listing all the key prices for March 31, 1982, and April 6, 1965, as they appeared in the Financial Times. It also contains an explanation of the Budgetary reforms and how to make the best use of them to reduce or eliminate your CGT liabilities.

Copies of the booklet, price £4.50 each including postage and packing, are available from:

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TECHNOLOGY

EDITED BY ALAN CANE

The life-saving microchip

Peter Marsh looks at Thorn EMI's work on chemical sensors

TINY SENSORS based on microchips and costing a few tens of pence could help sailors in the Royal Navy, doctors tending patients who are critically ill and householders worried about their gas bills.

The devices are to be produced on a commercial scale by Thorn EMI Microsensors, a company which Thorn EMI is in the process of setting up. Dr Ken Gray, Thorn EMI's research director, says he hopes the new subsidiary will be established by the summer.

Under the plan, the £2.5m turnover electronics company will, with technology developed at its research laboratories in Hayes, near London, add minute amounts of material to silicon chips to turn them into sensors capable of detecting a range of substances.

The sensors on which Thorn EMI has concentrated in research are called chemical field-effect transistors or Chem FETs. The transistor, positioned in a piece of silicon by conventional ion-implantation and lithographic techniques, is bonded to another substance whose physical or chemical form is changed by the presence of a gas or liquid.

The change alters the electronic characteristics of the semiconductor, triggering a pulse of electrons that activates

a display or recording device.

Although Chem FETs are far from new, problems in reliability have limited applications in commerce and industry. In recent years, instrument and factory-automation companies around the world have taken a new interest in development of microchip based sensors that monitor laboratory equipment or industrial installations for specific substances.

Most such monitoring hardware is based on big and expensive equipment: chromatographs and spectrometers for instance. Many companies are searching for smaller, cheaper sensors which can be installed in bulk for instance, throughout chemical plants to keep track of reactions and transmit information by digital signals to supervisory computers.

Besides Thorn EMI, other companies investigating production of chip-based sensors include Fujitsu, NEC and Kuwara (a fibre producer) of Japan and IBM, TTT, Kodak and Johnson and Johnson of the U.S.

In Britain, the Department of Trade and Industry has formed a research club for chemical sensors in which several dozen companies such as Plessey, Kent Industrial Measurements and ICI are collaborating over sensor development.

Thorn EMI has targeted its work in sensors in the following areas:

● **Fire-detection.** In partnership with the Ministry of Defence's Admiralty Research Establishment near Portsmouth, the company's researchers have devised a Chem FET which could help Royal Navy sailors spot the smouldering of electrical equipment which is often a prelude to fires.

In an ingenious scheme, scientists have produced a special organic substance that can be painted on to the insides of cabinets containing electrical devices and which evolves ammonia when heated to 130 deg C.

A sensor in the cabinet detects minute amounts of this gas, sending electrical signals to a computer. So long as all the cabinets in a ship that house electrical equipment are coated with the paint, Navy commanders would have a fool-proof way of detecting the start of fires before they get out of control.

The ammonia-detecting Chem FET could have industry's uses in standard fire-alarm systems of the kind sold by Thorn EMI's Protech (formerly AFA Minerva) subsidiary.

● **Medical applications.** In partnership with scientists in the physical chemistry department

of Newcastle University, Thorn EMI's researchers have added membranes to field-effect transistors so that the semiconductor reacts to the presence of ions in solution. The sensors could be made part of medical equipment that monitors the blood of patients in intensive-care units for ions such as hydrogen, potassium or sodium.

Fluctuations in the concentration of these ions can indicate to doctors how the patients are responding to treatment in the hardware, small volumes of blood from the veins would be routed through tubes past the sensors as the patient is lying in his bed.

Physicians would thus have an instantaneous check on the patient's condition. Conventionally, they have to remove a blood sample to a special laboratory for analysis.

The sensors' membranes interact with the ions in solution, generating a flow of electrons which is detected by circuits in the semiconductor.

The membranes are chosen so that they will interact in this way only with specific ions of a particular size, a factor that depends on the pore distribution and surface properties of the membranes, which can be made from glass or polymer. As a result of this selectivity, the sensors record the presence



Microchip sensors can give early warning of fires on board ship

of certain ions while remaining oblivious to others.

In an adaptation of the technique, workers are examining how to add to silicon chips enzymes which react selectively with particular substances in the blood stream or urine, urea for example.

Such sensors could form the basis of equipment that gives doctors an instant indication of health problems. Diabetics, for instance, could be helped by

equipment which displays in a few seconds the amount of glucose in their blood, so enabling them to adjust their daily dose of insulin.

● **Gas monitoring.** Another broad sensor under development at Thorn EMI comprises a series of tiny beams of silicon dioxide attached to microchip-based electronic circuitry. One end of each beam, which would be 100-400 micrometres long and some 0.4

micrometres in thickness, is fixed while the other is free to move in a stream of gas, in the same way as twigs on a tree react to wind.

The free end of each beam is coated with a tiny layer of gold, which acts as one plate of a capacitor. The second plate is a similar gold siver on a fixed point on the sensor. As capacitance is related to the distance between the two plates, the degree by which the

IMI

for building products, heat exchange, drinks dispense, fluid power, special-purpose valves, general engineering, refined and wrought metals. 185 pte, Birmingham, England

beam is deflected can be calculated electronically from the change in the quantity of electrical energy stored by the gold siver. From this can be deduced the speed with which the gas stream moves, and hence the quantity of gas passing through the pipes.

Thorn EMI says it can put about 1,000 sensors of this type on a wafer of silicon about 5 cm in diameter. Each sensor would cost no more than about 50p.

The company wants to sell the devices to enterprises that make gas meters for domestic and industrial use. Conventional meters feature a diaphragm which is moved by a set volume of gas. Each time this fixed volume sweeps past the diaphragm, the latter activates a mechanical counter which clocks up the total quantity of gas consumed.

The Thorn EMI sensors will respond to flow speeds as little as 0.7 cm a second. They should also be able to record the kinds of gas velocities encountered in industrial plant. These can be as much as 100 times higher than the standard flow rate for gas piped to houses of 600 cm a second.

Profile of companies that use computers

BY ALAN CANE

COMPANIES which use computers tend to have a higher proportion of secretarial and clerical workers, a high growth rate, more formality in communications and less centralised decision-making. Most of them are satisfied with their systems and believe they came up to expectations.

These are the principal conclusions of a survey of 838 UK companies in the services sector by a management studies group in Cambridge University's engineering department.

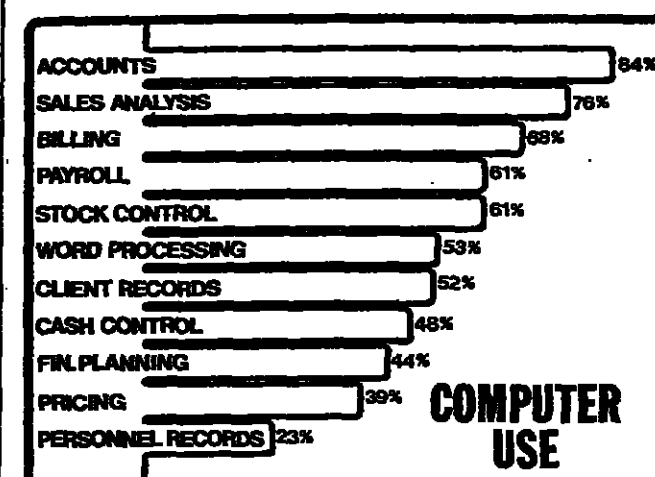
Among other findings, the study showed that two-thirds of the companies had expanded in the past three years. The financial services sector was growing faster than the whole-sale, retail or transport sectors.

Some 69 per cent of the organisations sampled were using computers. At the top of the list, 92 per cent of financial services companies had computers while the corresponding figure for retail companies, the least computerised, was 54 per

cent. The study found that computer users had fewer managerial staff but more clerical staff than non-users. The authors warned however: "This does not necessarily imply that these organisations which use computer users have increased their clerical workforce as a result. It is possible these organisations have always had a higher proportion of clerical workers than those not using computers."

Across the board, companies use their computers principally for accounting, sales analysis and billing. At the bottom of the list came personnel records.

Word processing was the most common application for companies in the financial services sector. The survey produced the numerically interesting result that the computer capacity of an organisation increases, approximately, with the square root of the number of employees.



The chart shows the percentage of companies in the survey that use computers for each purpose.

Graphic promise from a new software system

GRAPHS AND TABLES, in colour, and taken from any section of a company's files held on an IBM mainframe computer is the promise of a new software system from Integrated Software Systems (ISSCO) of San Diego, California.

The system, IVISS Manager, is now available for the first time in the UK. It is the latest addition to ISSCO's family of software for visual information display. Claimed to be the first system for business graphics retrieval available to the corporate IBM user, it makes possible the creation of slides, overhead transparencies and paper charts at the press of a button.

The idea is to make it simple for the non-computer user to have access to business information held in the memory of an IBM computer.

The system has three func-

tions. It finds and displays any graphics image and supporting data. It supports the production of 35mm slides, overhead transparencies and paper charts on more than 60 different kinds of graphics hard copy device. And it provides full screen "panels" full prompting which leads the user through in a step by step process, for chart creation, access and modification.

According to ISSCO, their users can maintain hundreds or thousands of charts online and ready for viewing. Even if a dozen users request charts on their graphics display terminals simultaneously, there is no central processor overhead because they are pre-generated and simply need to be transferred from disk to display.

The stored charts are updated automatically by the system monthly, weekly or even hourly.

Waterproofs that breathe

GARMENTS which are both rainproof and breathe have long been a focus for research and development.

Now a novel polymer coating developed at Shirley, the Manchester-based fibre research body, is to be sold commercially. Ventile fabrics were developed by Shirley in the 1940s but they were shower-proof rather than waterproof.

Resistance to rain was always best accomplished with cotton since it swells when wet, whereas man-made fibres do not. It is possible to produce a synthetic fabric that will resist water, but usually it does not breathe well.

Shirley's innovation was to develop a polymer coating which can efficiently transmit perspiration but which does not contain micropores. A polymer formulation of this type has been further developed by Eastman Chemical Company of Droitwich and is now being produced and sold by the company under licence from the Institute.

Eastman claims that its polymer has excellent breathing properties and, as a bonus, is easily coated on to appropriate fabric substrates.

The new coating material, Witoflex 971 is already being used by several manufacturers of waterproofs.

We do not envy anyone faced with the problem of choosing a computer system. Some systems are going to survive. Some will be obsolete before you plug them in. And you have to be a fortune-teller to know the difference.

So even if a machine will do its job right now, the question is - will it be able to develop along with your business? And should you decide to change systems in the future, what of all your investment in staff training procedures and programs? These have already cost you even more than the hardware. And who will you turn to for help? Will the supplier still be there?

OLIVETTI AND AT&T JOIN FORCES; A MARRIAGE MADE TO LAST

In December 1983 it was announced that AT&T, the U.S. telecommunications giant (1984 revenues: \$33.2 billion) would buy a 25% participation in Olivetti. AT&T, with its world famous Bell Laboratories, and Olivetti, Europe's leading data processing company, would form an unparalleled combination of technological, marketing, and financial strength.

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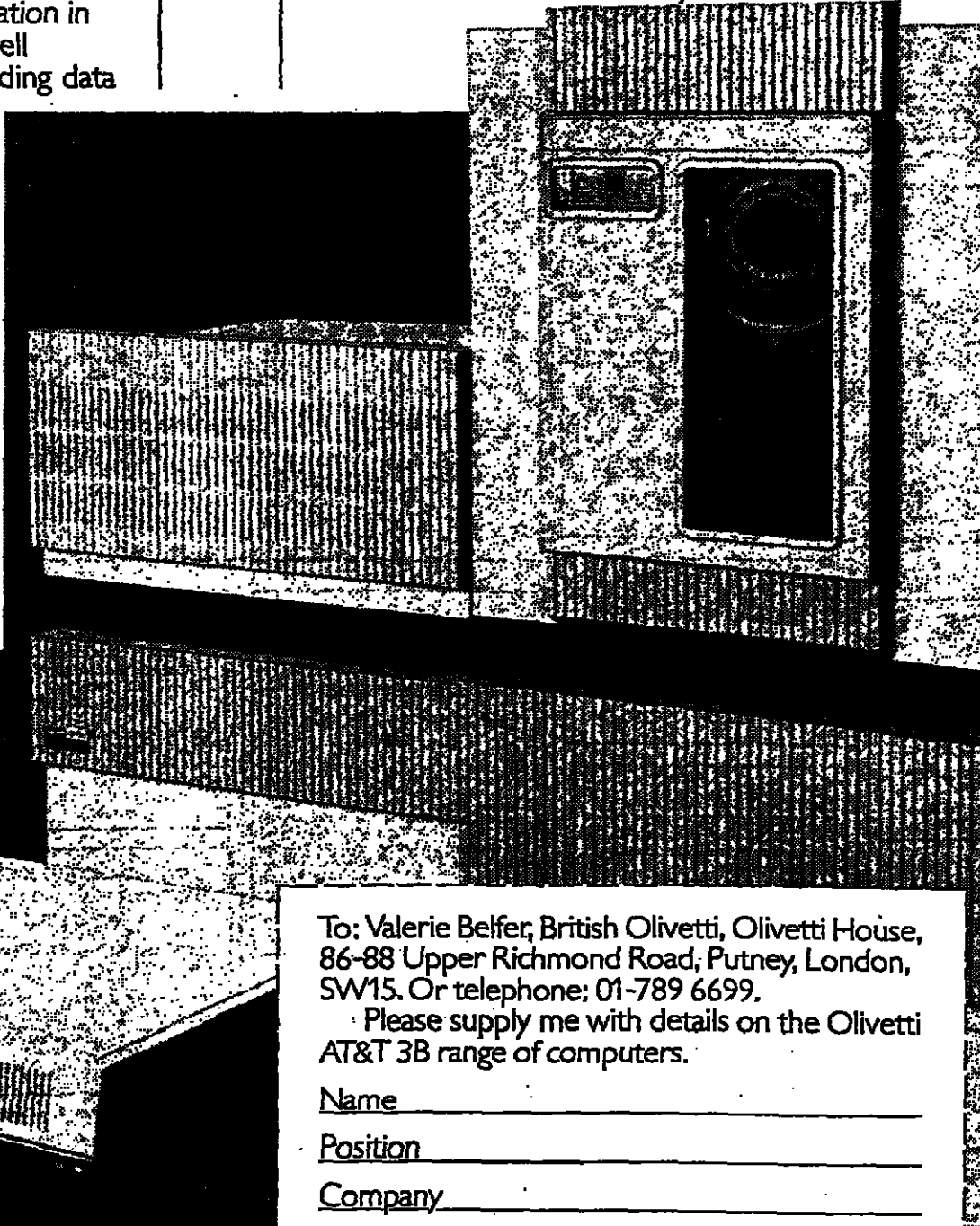
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THE ARTS

Television/Christopher Dunkley

So who says the best sitcoms are British?

I intended to watch all 71 hours of *Bodger*, I really did. I like television's new habit of screening long, intense serial dramas over a single week—"stripping" them, as it is called. But as the opening credits and the music for Episode 1 began to roll, and the feeling of a pastiche of "Chariots of Fire" instantly took hold, doubts began to form.

When we went into a sepia tint history of the British Empire, it seemed clear that an old incident on the cricket field was going to be loaded down with undue significance. The first flutings of what Australians apparently imagine to be early 20th century English accents made my heart sink. And when they began to sing "Happy Birthday To You" at Douglas Jardine's party in 1909, using the familiar tune which was not introduced until 1925, I decided that my time would be better occupied elsewhere.

So I turned to a programme category of which there are at present two examples on Sunday, two on Monday, one on Tuesday, one on Wednesday, three on Thursday, and six on Friday, though none on Saturday: situation comedies or "sitcoms." Out of that total of 15, six appear on BBC1, four on ITV, four on Channel 4, and one on BBC2. Eleven are British and four American. Three are brand new this season, four are fresh batches of old series, and eight are repeats.

Watching all of them in the course of a week makes you painfully aware that British sitcom has still not found a way out of the trough into which it slid some years ago. It also seems clear that sitcom is now considered an exclusively low-brow form of entertainment. Furthermore, the tendency of the British to assume automatically that our television is superior to American turns out to be just as dubious in sitcom as in news, sport, breakfast television and action series. Most



Paula Wilcox and Paul Copley in "The Bright Side," written by Willis Hall

ominous of all, there is only the smallest indication of original thinking in the present crop. Formula writing is everywhere. The three new series of this season are *Mog*, which has been adapted for television by Dick Clement and Ian La Frenais (who wrote *Porridge*) from a book by Peter Timmis (who has not yet fulfilled the promise of his 1975 series, *I Didn't Know You Cared*, about a dour and eccentric Yorkshire family); *Home To Roost*, by Eric Chappell, with John Thaw as a divorced whose teenage son descends upon him in an attempt to arrange a reconciliation between his parents (the opening series in his new finished); and *The Bright Side*, a light and mild little series written by the prolific Willis Hall and starring Paula Wilcox (one of the girls in the 1973 series *Man About The House* now repeating on Channel 4)

as the wife of an ineffectual chap who has been sent to goal. Perhaps there has never previously been a series featuring precisely the situations in each of these sitcoms, yet they all feel more or less derivative. *Mog* is the least familiar, with Ean Rettel playing a small-time crook who hides from the law in a phoney mental hospital where his mother—a latter-day cockney Mrs. Malaprop, played by Toni Palmer—works as a housekeeper. The other inmates are a Peter Sellers-type trade union official; a man who believes he is in a POW camp; a black man with delusions of grandeur; the son of the clinic's owner who is pursued by Miranda, a sex-hungry school-girl; and Miranda's seductive Danish mother, Mrs. Mortensen, the resident psychiatrist who sees sexual symbolism in every Rorschach ink blot.

It sounds full of potential

and there have, indeed, been several good jokes in each episode. Miranda's unromantic sexual persistence ("Oliver! Don't you want to have knowledge of me...?") is original, and this week's scene with a rookie policeman posing for a group photograph with five lunatics in prison in the middle of the night outside a suburban house was certainly a ludicrous enough situation.

Unfortunately, however, where *Porridge*, with a similar array of characters within an institution, was a highly tailored through-composed script which were given more point by excellent ensemble acting, *Mog* merely dishes out gags suitable for each eccentric character in turn, and hitches one funny sketch to the next like trucks in a siding.

Home to Roost also provided a reasonable quota of laughs per episode, but both aspects of the situation in this series—the overgrown cuckoo chick refusing to leave the nest, and the parents being divorced—have been worked to death in a host of other recent sitcoms. Another six-part series which finished its run on BBC1 a fortnight ago, *Three Up, Two Down*, proved tremendously successful in the ratings, achieving No 4 in the BBC1 Top 10 in its first week, moving up to No 2 for two weeks, dropping to No 9 and finishing with two weeks at No 10.

Clearly this had much to do with the series occupying the old *Panorama* slot against *World In Action* on ITV, but equally clearly (from much of the series' evidence, most recently with *To The Manor Born*) British viewers do love series which play upon class distinctions, as this one did with wit-outside-the-box played by Michael Elphick and Sloane Rangerish Daphne played by Angela Thorne.

Yet any dispassionate and honest onlooker would have to admit that whichever category of sitcom you choose, the best

examples on offer on our four British channels at present are American. For the old-fashioned virtue of a strong story built round a dominant central character there is still nothing to touch *Biko*, re-running on BBC 2 and celebrating its 30th anniversary this year.

There is now an British series offering the sort of sharp-edged social comment pioneered in this country in such series as *Steptoe and Son* and *Till Death Us Do Part*. For that sort of approach you have to look to the American series *Taxi* which—under a thin if extensive layer of jokes—deals with all sorts of petty and difficult subjects ranging from the strains suffered by immigrants because of the "melting pot" concept of American cultural identity, to the complexities of modern sexual mores.

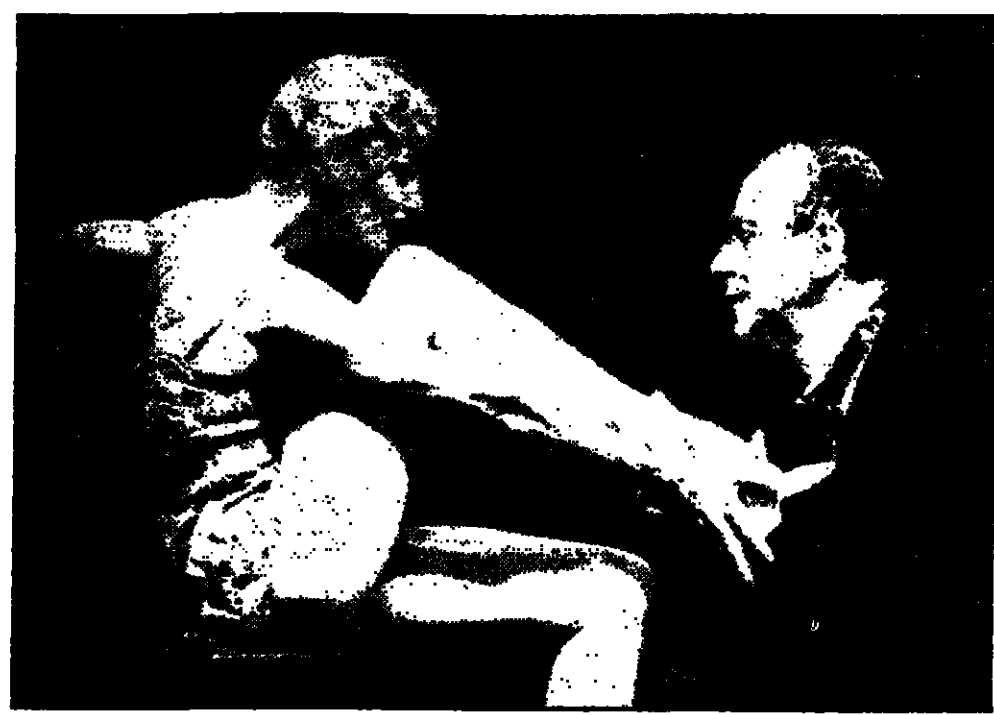
And if jokes (in the sense of funny lines rather than situations) is what you want, there is at present nothing British to touch *Cheers*, the American series set in a Boston single-bar. The script is like a continuous series of cartoons from the New Yorker, most of which seem to feature two men sitting in a bar.

British sitcom writers who try their luck in the U.S. often throw up their hands in horror at the hard-nosed attitude of American television executives who pay scant attention to the delicate sensibilities of creative genius and simply demand a laugh every 35 seconds, sending back scripts until they get just that. It might not produce the world's most sophisticated work, but it does make for a funny half-hour which is, presumably, what most viewers are seeking in a sitcom.

That said, there should surely be room also for a little more sophisticated humour here and there. Television is, of course, the great mass medium of our age; and our age is, of course, mesmerized by egalitarianism. But that should not mean that every programme must appeal to every viewer. With all the famous claims for quality made by British television it does not seem unreasonable to suggest that one series in, say, 20 or 30 should aim a little higher.

With the examples of John Cleese and David Wood before them (not to mention the examples of *Monty Python* and *Corwall*) it is time a few of our comedy writers settled down to express their true instincts and passions and thereby please a more demanding public. At present, every new sitcom appears to be concerned solely with filling slots and amassing ratings by combining all the most successful bits of the previous half-dozen series. It may sell larger or help the BBC's ratings push, but it does nothing for British television's much publicised reputation for quality.

The reference books tell us that Arrau is now 82, and he has not given a concert in London for several years. On Monday, however, he appeared at the Royal Albert Hall, playing a programme whose contents were quintessentially Arrau: Beethoven's E flat sonata Op. 81a (*Les Adieux*) and the Appassionata Op. 57, together with Liszt's E minor sonata. It would be hard to pretend that he could so easily have been an evening of memories, with a great pianist evoking former glories. This was something much richer and more enduring. It would be hard to pretend that he could so easily have been an evening of memories, with a great pianist evoking former glories. This was something much richer and more enduring. It would be hard to pretend that he could so easily have been an evening of memories, with a great pianist evoking former glories. This was something much richer and more enduring.



Natalya Makarova and Roland Petit

The Blue Angel/Deutsche Oper, Berlin

Clement Crisp

A recurrent theme in Roland Petit's ballets is the mismatching of lover and beloved. The result is a series of tensions, both physical and spiritual—it is no accident that a recent ballet was *The Marriage of Figaro* and *Hell*—and Petit has explored them in a Boston single-bar. The script is like a continuous series of cartoons from the New Yorker, most of which seem to feature two men sitting in a bar.

Now, in what is his darkest exploration of the human heart, comes *The Blue Angel*. Neither protagonist—the irresistible cabaret dancer, Rosa, or the earnest Professor Raat who falls victim to her—is obviously sympathetic, yet it is to the great credit of Petit as choreographer and as interpreter of the Professor, and of Natalya Makarova as Rosa, that at the end of the ballet's premiere in Berlin on Sunday we should understand their tragedy and feel sympathy for them both.

The Blue Angel is a title instantly evocative of von Sternberg's film and of Dietrich, all blond curls and topknot. Its narrative and style have long fascinated Petit; but in making his new ballet for the Deutsche Oper Ballet at the request of its director, Gert Reinhold, he has largely bypassed the film and turned to the novel which inspired it, Heinrich Mann's *Professor Unrat* ("Professor Garbage"—the derisive adaptation of Raat's name by his pupils), and to its pre-1914 setting. In Makarova, he has found a ballerina having the sensual glamour, the emotional presence, to explain Raat's passion,

and also to stand up to the challenge of comparison with Dietrich's iconic Lola (the name given in the film to the novel's heroine, Rosa). *The Blue Angel* is about obsessive love, and the wrecking of lives—both Raat's and Rosa's—which result from it. It is also a vehicle for two great dramatic performers, and its momentum comes from Rosa's acceptance of marriage with Raat as a means of social betterment. Her incompatibility, Rosa's inability to have any feeling for him save scorn, is the machinery of their common destruction.

Petit's acute theatrical sense can be seen in his staging of the ballet in a city where Heinrich Mann's tale has immediate cultural resonance, and in his use of a dance language which refers to German expressionist techniques. His is not a literal narrative: its elisions and exaggerations are highly stylised. We sense this from the first when curtain-raising reveals the setting: Josef Svoboda has provided a pendant cyclorama, cut out to become the skyline of some claustrophobic German provincial city, the inky darkness of the stage serving as the town itself, distant lights suggesting house doors and windows, with scenery dropped in to pinpoint exact locales: the Blue Angel cabaret; Rosa's dressing room; the Raat house. We find it, too, in Marius Constant's electronic score, which ranges from electronics to pastiche songs that comment on the action.

The action concerns three chief characters: Raat, Rosa and Lohmann, one of Raat's pupils who becomes Rosa's lover (a role well taken by Jean-Pierre Aviotte from Petit's *Marcelle* ballet). Surrounding these are a band of Raat's students, excellently danced by

the men of the Deutsche Oper Ballet, and a cabaret troupe who represent Rosa's world.

The first act shows Raat as a stern, buttoned-up disciplinarian, suspicious of three of his students who frequent the Blue Angel cabaret, following them there and seeing Rosa. He falls wholly under her spell, and she plays with him like a cat with an all-too-willing mouse, while yet maintaining a passionate relationship with Lohmann. Raat's submission to her femininity brings about their wedding, wherein Petit portrays the obsessed Raat's hope for continued respectability and the conflict with the vulgarism which lurks just below the surface of Rosa's world.

The second act (a brief 35 minutes, compared with the excessive 75 minutes of the first) shows us the marriage gone fatally wrong. Rosa is trapped and desperate. Raat seeks to amend her, even submitting to playing the clown while the viciously bored Rosa goads him into further and greater indignities. She dreams of past lovers; she succumbs again to Lohmann, and is then rejected by him. Her revenge upon Raat, whom she knows has precipitated this rejection, is to make him perform like a dog, begging, playing tricks. His degradation is absolute; her despair no less so. As he finally collapses at her feet she leaves him, and we see her at the last journeying to a new and hopeless future.

Thus the action. Petit's choreography intersperses big ensembles for the students and cabaret artists with intimate scenes in which Rosa's devastating beauty wreaks its havoc. It is in these that the ballerina's power resides. For Makarova, in what is the first full-length ballet made for her, there is the occasion to display both her dazzling and slightly mocking beauty, to create the irresistible Rosa of the cabaret, and her greater art in portraying a woman who cannot resist dominating her admirers, and who, whatever small regrets she may feel, must break from the prison of marriage with Raat.

With complete callousness she uses him to amuse her, as bitter vengeance upon his weakness in marrying her, and she knows a less bitter anguish when Lohmann, whom she rejects her, is an interpretation completely understood and exquisitely danced, from the leggy, comely sexuality of the cabaret to the destructive anger with her husband-victim in the second act.

For Roland Petit there is the chance to show, as he has ever done since his *Don Jose* in *Coram*, that he is a superb dancer, outstanding in tragic roles. He moves from rigid authoritarian to hapless victim, and finally undignified fool, with a marvellous inevitability; the character tightly focused, heart-rending. The confrontation between these two magnificent theatrical personalities gives the ballet its heart—a broken heart, of course, but one whose breaking makes for compelling viewing.

Sweeney Agonistes/Tate Gallery

Michael Coveney

Although Stephen Spender said that Francis Bacon's triptych inspired by T. S. Eliot's *Sweeney Agonistes* was an example of the poet's hectic, feverish, and uncontrolled genius, it is impossible to detect any relationship between the two works as displayed in uneasy juxtaposition by Rostrom Theatre at the Tate.

Sweeney was an unfinished piece in 1925, abandoned possibly because there was nothing else in theatre at the time to compare it with. This interesting thesis in Peter Ackroyd's in his Eliot biography, Sally Gray's Rostrom cast hardly give the work a chance, as it is badly delivered, the character of Sweeney left to founder in the wash of inept poetic articulation.

The *Sweeney* connection is obviously art dealer's twaddle for which Sally Gray and Co have fallen as easily as did Mr Spender, egged on by the rather Bacon no doubt. The triptych is certainly not one of Bacon's

best and not even the tense ejaculation of Eliot's "Birth, and copulation, and death" can make it so.

On the left, two figures lie post-critically in a glass booth on a slanting table, with—what?—a toast rack and a desecrated cigarette packet upstage and downstage of them; on the right, a man behind a transparent mirror telephones somebody as the two bodies merge in the manner of *Murder* by the wretches; in the centre, blood and meat on the night train, an open window, a hurriedly packed grip.

Nothing to do with Eliot's exactly phrased intimations of mortality and the jejune collation of snippets, here plastered round *Sweeney* from early poems and *The Waste Land*. Of the four actors Keith Bartlett, although failing as Sweeney does project a hollow-eyed despair, and Michelle Newell is at least, vital and intelligent. The performance is given each night until June 21. I advise sticking to the wall art.

Saleroom/Antony Thorncroft

Museums on a spree

A brass astrolabe, made in Flanders around 1500 and bearing the name Jacobus Valerius—who might have been either the maker or the owner—sold at Sotheby's yesterday for £1,400 in an auction of scientific instruments. The buyer was a Continental collector and the price just exceeded Sotheby's expectations.

London dealers also were busy. T. Philip paid £5,250 for a brass Holland circle of the late 17th century and £3,400 for an Italian brass sector of 1691, signed Dominicus Lusueri. Wainwright acquired a James Smith brass binocular/monocular microscope, mid 19th century, for £2,250, while Weston paid £4,620 for a German Hahn type mechanical quincunial ring dial of about 1770.

A feature of the auction was the buying by museums. The Science Museum acquired six items, with a top grand total of £1,100 for a combination saw and forceps made around 1815 by Thomas Macheil. It also bought a bronze opium weight, a brass syringe set of the late 18th century, and a German bone saw.

A French Victoriot portable typewriter of around 1914 went to the Milwaukee Museum for £264 and the Museum of the Pharmaceutical Society acquired a 19th century pewter leech jar for £264.

Philip held one of its better British picture sales, with a total of £245,080 and 14 per cent unsold. There were two disap-

ointments: an attractive portrait of Felicity Trotter by Sir Thomas Lawrence sold for £48,000, below estimate, while *A Wooded Path*, a sketch by Constable made in 1801 and much influenced by Gainsborough, was bought in when the bidding petered out at £14,000.

The Lawrence was previously unrecorded and has also been dated to around 1801. It was during this period that the artist's financial position became precarious and, to meet his debts, he undertook five sittings a day, with a deleterious effect on his work. However, this portrait of a young beauty is appealing enough.

A still life of game by William Duffield sold for £24,000 (as against 210 guineas at Christie's in 1960) to a Californian dealer; Colnaghi paid £15,000 for a portrait of a gentleman from the "Circle of Nathaniel Dance"; and a John Glover landscape made £11,000.

Christie's had only mixed success with its picture sale on Monday night, with a total of £24,295 but 25 per cent unsold. The most interesting lots were two paintings of fruit and flowers by Mark Gertler, which made less than anticipated at £6,000 and £2,500. Not surprisingly, the top price of £2,500 was paid for a Munnings, this time a portrait of a dog rather than a horse. "The red cutter," a typical peasant realism picture of 1886 by Sir David Murray, went for £3,400.

La Bayadère/Covent Garden

Clement Crisp

The Royal Ballet's present triple bill is well planned, with *La Bayadère* and David Bintley's *Consort Lessons* preceding the stellar marionette of Antoine Sibley and Mikhail Baryshnikov in *A Month in the Country*. The Shades scene from *La Bayadère* is a work in which, in an ideal world, there should be no debuts.

Alas, Covent Garden's is a far from ideal world and on Monday night Deirdre Syden and Jonathan Cope were plunged into dance's deep end. That they surfaced is tribute to their nascent abilities, but it would be idle to pretend that this joint first appearance held more than promise of better things to come with experience. Miss Syden's beauty and her generosity of style are advantages in her interpretation; Mr Cope's largeness of dance impulse is also welcome. With study, coaching, more performances, they may in time claim the scene as theirs by right, as did Lesley Collier and Stephen Jefferies in strongly shaped readings last week.

I found the lethargic tempi adopted by the guest conductor, Isaiah Jackson, far from convincing. His soporific account of the Shades' entry breaks the full stretch of the choreographic image as each bayadere enters into arabesque. What should be a single dynamic phrase is fractured, and the expansion of each body's line is poised on the tremulous base of the working leg.

Among the Shades soloists, mention must be made of Fiona Chadwick in the third variation which tells of entire understanding of its shape and style.

The overdue return of *Consort Lessons* has brought performances of the most satisfying polish. The chain reactions of the choreography in the first movement are clear and ideal, pass from one dance to another, are glittering fragments which David Bintley builds into dazzling patterns. The second movement, for Lesley Collier and four cavaliers, is Mr Bintley's Rose Adagio, and beautiful. The finale returns to the energies of the opening, and is suddenly touched with mystery as the four men lie upon the ground. Every movement senses the skilled realisation in dance of Stravinsky's concerto for piano and wind. *Consort Lessons* is, I suspect, Mr Bintley's most assured creation, and it is a work to treasure.

About Monday night's *A Month in the Country* with Antoine Sibley and Mikhail Baryshnikov, I note simply that their performance seemed even more intense, that Miss Sibley conveys every mercantile flight of Nativya Petrovna's feelings with entire simplicity and grace, and that Mr Baryshnikov places his characterisation, Russian fashion, wholly inside the score. His is an interpretation by a musician as well as a great dancer.

Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

June 7-13

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved script. Michael Coveney's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rousing folky has 10 minutes of Spielberg movie magic, an exciting first half and a riveting reliance on indeterminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 5184).

On Your Marks (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballerina Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (457 6534).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's top-dancing extravaganza has been reinterpreted. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (838 1106).

Me and My Girl (Aldwych): Sleek, efficient and enjoyable revival of British biggest war-time musical hit with Robert Lindsay in the Lipino Lane role emerging as the best new musical star since Michael Crawford. (837 0111).

Barramundi (Victoria Palace): Michael Crawford returns to London with

his breathtaking performance as the circus proprietor, adding one or two new tricks in a flexible marriage of a musical. (534 1317, credit cards 828 8735).

Jumpers (Adelphi): Confident almost of Nativya Petrovna's feelings, taking comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more solid round George Moore than was Michael Coveney, Pelly to Kendall delightful as his retired musical comedy wife. Peter Wood directs. (836 8404, credit cards 379 6233).

Old Times (Haymarket): Pinter's 1971 comedy, which tells of a family in the best of performance, Michael Gambon competing in the present and the past for a glacial Nicola Pagett. David Jones's smooth production is less monumental in tone than was Peter Hall's text in very fine and very funny. (930 8832).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Anthony Sher dramatically exciting as Richard in the RSC revival by Shakespeare. Plays in repertory with Roger Rees as Hamlet, and Kenneth Branagh as Henry V. All worth seeing. (828 8785, credit cards 838 8801).

Waste (Lyric): Deserved transfer to Shaftesbury Theatre for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3886).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Piggott's account of his family's emigration from post-Revolutionary Russia. Alan Howard succeeding

Daniel Massey alongside Jenny Agutter. Agutter's account of her own mother's life is a powerful and moving performance. (836 5588).

The Mysteries (Lyric): The theatre of Henry Irving and Joe Loss re-stored for theatrical performance after 40 years. Bill Eyden's fine production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (789 3055).

NETHERLANDS

Amsterdam, Stadhouders (Streekt Houdersstraat 4): A solo double bill from Barbara Meijer in French. Gray by Josef Bush (Marie Antoinette's meditations on the night before she goes to the guillotine), and Cuckoo's No Smoking (Wed and Thurs). (242 812).

NEW YORK

Cats (Winter Garden): Still a sell-out. Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically felicitous, but classic only in the sense of a rather staid and overblown piece of theatricality. (238 8253).

Grand Street (Majestic): An immediate celebration of the heyday of Broadway in the 30s incorporates gems from the original film like *Shuffle Off to Buffalo* with the appropriately brash and leery honking by a large chorus line. (777 0293).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group. In a surprise, without the quality of their music. (238 6206).

Brighton Beach Memoirs (48th St): The first instalment of Neil Simon's comic trilogy, *Brighton Beach Memoirs*, is a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Little Night Music (Sheraton): The longest-running musical ever in America has not only supported Joseph Papp's Public Theatre for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (238 6206).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that and too soon but work well with Tony Straige's pretty set and James Lapine's book which changes gears in the second act. (238 6206).

Cats aux Folies (Palace): With some beautiful Jerry Herman songs, French film manager, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (787 2635).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's touching and funny recollections as a drag queen add up to the best historic Sarah Bernhardt role on Broadway today. (944 9450).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellers' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 2670).

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Wednesday June 12 1985

Britain's plan for Europe

IF THERE is one issue on which all EEC members agree it is that urgent steps are required to give a boost to the further development of the Community and, in particular, to improve its decision-making machinery. The practice of taking all important decisions in the Council of Ministers unanimously has already proved to be a serious brake on the development of the 10-member Community, as it did on that of the original six. If it continues to be applied once Spain and Portugal become members on January 1 next year, there is a risk that the Community's institutions might seize up altogether.

For these reasons, the European Community summit in Milan at the end of this month, will be of unusual importance. Apart from discussing ways of improving the decision-making machinery of the Community, the heads of government will also have before them proposals for completing the Community's internal market and extending foreign policy co-operation.

Britain, which has not exactly been in the forefront of those seeking a grand design for Europe, has now come up with a series of proposals, about which the least that can be said is that they are realistic and practicable. They will not, it is true, appeal to the most federal-minded members of the Community, such as the Netherlands, Belgium and Luxembourg, but they do offer a compromise which will have to be reached at the end of the day.

While the Benelux countries and Italy have enthusiastically endorsed the proposal by the Dooge Committee on institutional reform to hold an inter-governmental conference to revise the Treaty of Rome, Britain has come out firmly against such a conference.

It is right to do so. Whatever the emotional appeal of another Messina-type conference for traditional "Europeans", the disadvantages of embarking on such an exercise are evident. It could open up a Pandora's box of issues which would take many months, if not years, to resolve. In the meantime, the urgent reforms which everyone deems necessary would be delayed.

The proposals put forward last week-end in Stresa by Sir Geoffrey Howe, the Foreign Secretary, are intended to avert such a pitfall. Instead of making majority voting the universal rule for all decisions, as

the purists would like, they recognise there will always be matters of outstanding national importance on which member states will refuse to be outvoted.

Nevertheless, the British proposals do provide for a use of majority voting in those areas for which this procedure is laid down in the Treaty of Rome, but where the practice has been to take unanimous decisions. It would also become more difficult to invoke the so-called Luxembourg compromise, under which governments have been able to plead a "vital national interest" as a reason for vetoing any decision. Sir Geoffrey has proposed that, henceforth, governments would have to "explain" a veto in the full Council of Ministers, instead of allowing its sometimes indiscriminate use by any departmental minister.

Taken together with the proposal for the setting up of a special secretariat for the promotion of foreign policy co-operation and for a binding commitment by governments to consult each other before taking foreign policy initiatives, these suggestions represent a real step forward in Britain's attitude towards the Community.

Support

At the same time, there are some obvious inconsistencies and shortcomings in the British stance. The Government cannot, almost in the same breath, call for an accelerated timetable for the removal of the remaining barriers to a genuine common market, particularly in the field of financial services and transport, and yet maintain its reservations on tax harmonisation.

Sir Geoffrey's proposals on the extension of the European Parliament's powers, confined as they are to more regular consultation with the Parliament on important issues, are also decidedly thin and are hardly in line with Britain's original enthusiastic support of a directly-elected Parliament.

"Democratic" logic demands that, at some stage, an institution elected by universal suffrage should be given more than just consultative powers in shaping a Community which is gradually increasing its influence on the citizens of member states. The Milan summit may be the earliest opportunity for such progress in this direction, but the problem cannot be shirked indefinitely.

Less regulation, less control

IT HAS for some time been known that financial deregulation in the U.S. has made it progressively more difficult to set monetary targets, with the result that policy has been based on a whole range of unintended consequences, helping to precipitate the 1981 recession and the subsequent pragmatic relaxation in Britain. The authorities appear at last to have acknowledged that the prevalence of floating interest rate credit makes it very difficult to control the money supply, and almost impossible to use interest rates to check the growth of private sector credit. Things seemed more orderly in the days when the money supply, and almost exclusively, was controlled by the Bank of England.

In recent years, however, the accelerating relaxation of controls in most of the main financial markets, as the authorities have scrambled to maintain market shares, has made these problems pretty well general. As the Bank for International Settlements points out, the growing substitutability between money and other financial liabilities, and the growing integration of onshore and offshore money and credit markets have made the meaning of any but the narrowest aggregates increasingly obscure, and robbed the authorities of a fulcrum for their policy interventions. As a result, the setting of targets has less and less effect on expectations, and the success of policy is judged not in terms of targets for monetary growth, but of the performance of the real economy. We are getting back to the seat-of-the-pants control of money which targetry was supposed to banish.

If this were the only result of deregulation, many would regard it with equanimity; the world got on very well without monetary targets until quite recently, in historic terms. The BIS sees more worrying dangers.

One might be described as the externalisation of risk. Banks and other credit intermediaries used to be constrained in their expansion by the risks of interest rate or currency exposure. Floating rates and the development of swap and future markets have made

it possible to avoid or unbundle such risks, so that expansion has been much more vigorous. However, this has greatly increased the exposure of the system as a whole to the risk of bad debt, as expansion has made funds available to more questionable borrowers, and competition has driven down the margin differentials which previously provided some insurance against such risks.

The sovereign lending crisis has been a second wave of change, to which the ugly label of "securitisation" has become attached. Investors have switched out of bank deposits and into direct claims on the money supply, and almost exclusively, through the Eurobond and commercial paper markets. The result has been a fall in the quality of bank assets and a rise in contingent liabilities which are not reflected in balance sheets.

Uncertainty

This is a far more serious matter than the fog of uncertainty which now surrounds monetary targets. Central bank supervisors, who are aware of the problem, have responded by calling for a reinforcement of bank capital; but since much of this has been raised through floating-rate notes sold to other banks, the result is more to generalise the problem than to control it. The systemic risk which would follow any major bank failure is now "lateration"—and Britain's experience with Johnson Matthey Bankers has reminded us, in today's markets even small banks can fail for startlingly large sums.

All of this adds up to a formidable challenge for prudential supervision, and it is presumably only because the BIS represents central bankers who are already aware of the problem that the warning is stated in such muted language. It may take something louder, though, to get through to politicians who seem to see all the potential gains in efficiency which broader competition can bring, but few of the risks entailed in this permissiveness.

AIRLINERS may be much quieter, and cheaper to fly in the 1990s, if the current research into a revolutionary new type of aero-engine fulfils the promise that some in the world aerospace industry are now claiming for it. Various names have been given to the new engine, such as the Prop-fan (Pratt & Whitney), the Unducted Fan (General Electric), the Ultra By-pass engine (Boeing), or simply the Advanced Propeller (Rolls-Royce), the new development offers the prospect of savings of up to 40 per cent in fuel consumption compared with today's conventional turbo-fan (jet) engines.

Virtually every major aero-engine and airframe manufacturer is either directly involved in research into Prop-fans (the generic title given to the development), or is showing strengthening interest in it. All concede that a revolution in aero-engine technology seems to be in the making.

This interest in the new engine provided one of the dominant themes at this year's Paris International Air Show, but there were also clear differences of view among engine and airframe makers about the scale of the development problems involved, and the likely availability of the device for operational service.

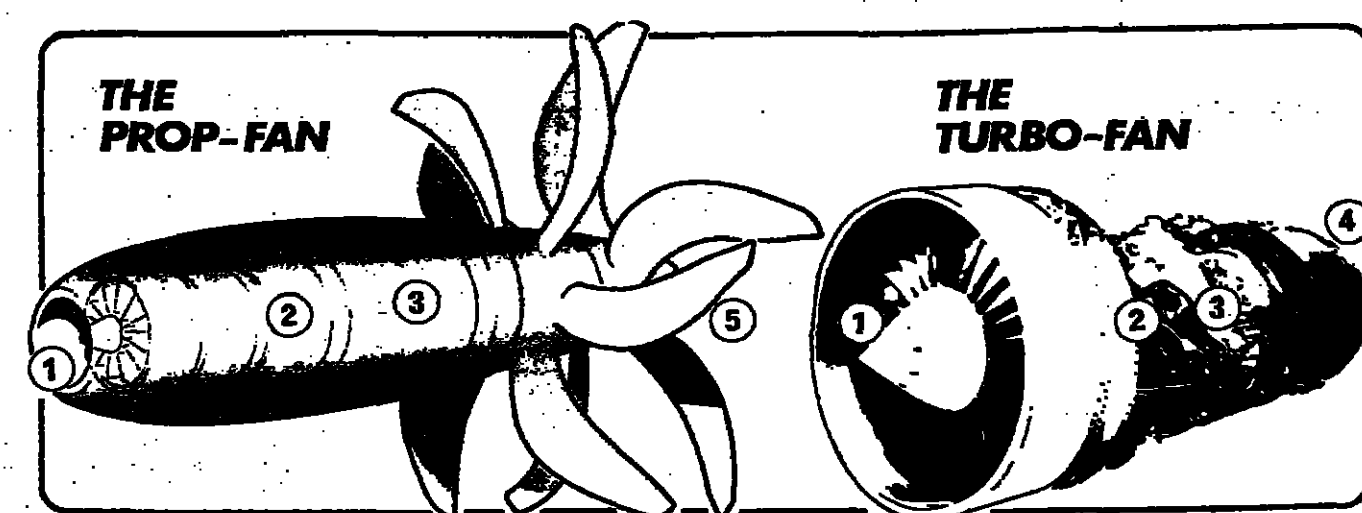
The cause of all this excitement is, in its simplest form, an extension of the already well-understood principle of turbo-propeller power—the harnessing of a propeller to a gas turbine engine. Turbo-prop airliners are well known—there have been many types of them, from the earliest, the British Vickers Viscount in the early 1950s.

What is new about the Prop-fan, and what promises to revolutionise airliner economics, is the propeller itself, although there will also be some design changes in the gas-turbine engine (see the caption to the illustration). Instead of the conventional three or four-bladed propellers so common today, in the Prop-fan, they will consist of up to 12 to 16 blades, each shaped more like the blades on a ship's screw, either all fixed on one rotating hub or, more likely, on two closely-linked counter-rotating hubs each beating air or more blades.

The manufacturers claim that this will mean not only substantial savings in fuel consumption, by comparison, but also big reductions in noise and vibration. Propellers, electrically driven, would also be able to fly almost as fast as jet airliners; so far no turbo-prop airliner has been able to do this.

Over the past 30 years of development of gas-turbine aero-engines, the earliest type of jet "straight-through" type of jet to today's "high-bypass turbo-fans" the fuel consumption per seat-mile down for long-range airliners has been reduced by two-thirds, as a result of progress in engine efficiency, and the aerodynamic shapes of the airframes.

Further improvements in both conventional jet engines and



THE ILLUSTRATION shows the basic difference between today's widely-used turbo-fan (jet) engines (right) and the new rival generation of Prop-fans (left).

In both engines, air is taken in at the front end of the engine (1). It is compressed (2), and burned (3), and

turned into a hot gas exhaust, which in the turbo-fan provides the thrust (4) to drive the engine/airframe combination forward. In the Prop-fan, the exhaust is used to drive the rotating hubs (5) on which the new type of propeller blades are mounted. The Prop-fan is

likely to be mounted at the rear of the aircraft's fuselage to reduce noise and vibration for the passengers. The major engine makers disagree about the mechanics of the new type of engine. General Electric (U.S.) declares that no gear-box is needed in its Unducted Fan

Strongest support for Prop-fan in the U.S.

investments already made in them.

The strongest supporters of the prop-fan are to be found in the United States, where the government-owned National Aeronautics and Space Administration has conducted an extensive \$200m-plus programme, with the support of the aerospace industry, over several years.

This has now reached the stage where General Electric, one of the world's "big three" aero-engine builders, plans to run a demonstrator engine this August on its Peebles, Ohio, test-bed. GE calls its Prop-fan the Unducted Fan, or UDF, to differentiate it from others who are behind it in the race. The UDF is based on an F-404 fighter engine core (the hot part of a gas turbine engine), and is designed to yield up to 25,000 lbs thrust, enough to power a twin-engine 150-seat airliner for short-to-medium ranges. GE thus appears to be ahead

AERO-ENGINE TECHNOLOGY

A revolution in the making

By Michael Donne and Lynton McLain

of its rivals, Pratt & Whitney and Allison, both of which are also engaged on Prop-fans. GE has now been joined by Snecma, the French state-owned engine group, which will have 35 per cent of the GE programme.

The two major U.S. airliner builders, Boeing and McDonnell Douglas (the latter in association with Aeritalia of Italy), are planning flight tests of the UDF from GE in 1986 and 1987, using a Boeing 727 and an MD-80 airliner. Flight tests of the Pratt & Whitney and Allison Prop-fans will come later. Another U.S. company, Hamilton Standard, part of the United Technologies Group, is leading the U.S. efforts on the design of the Prop-fan blades. McDonnell Douglas has also linked with the Chinese Shanghai Aviation Industrial Corporation on Prop-fan development. GE claimed categorically at the Paris Air Show that its early research had shown that its UDF would be able to meet the U.S. Federal Aviation Administration's aircraft noise rules. GE is so convinced it is on the right track that it is talking of offering both Boeing and McDonnell Douglas a licence to produce a 150-seat airliner for service by 1992.

The possibility that UDF might be available so soon is a key reason why Boeing has decided not to launch its own challenge to the existing European A-320 150-seat Airbus (which will use the new International Aero-Engines V-2500 jet engines) in world markets. Boeing argues that by waiting a little longer to produce a rival airliner design of its own, it will be able to incorporate not only UDF engines, but also many other advanced technologies. These include new com-

posite materials and metals, and new electronic systems which would make its design so advanced that it would drive the A-320 out of world markets.

It is a gamble, but Boeing says that even if the UDF does not live up to GE's claims, and it is obliged to revert to jet engines for its new aircraft, it can adopt the V-2500 and still offer a better aircraft in world markets than the Airbus A-320.

Airbus is openly scornful. It acknowledges that Prop-fans, whether GE's UDF or others from Rolls-Royce and Pratt & Whitney, are on the way, and that undeniably they will have much to offer the airframe builders and the airlines—but not until the late 1990s.

Airbus argued openly at the Paris show that many of the claims for the Prop-fans are still hypothetical. It is studying them, and may well use them eventually in some future-generation airliner, but by then it believes that the existing A-320 will be so firmly established anyway that it could never be driven out of world markets by Boeing or any other manufacturer.

Both Rolls-Royce and Pratt & Whitney appear to support the Airbus view that a much longer development time-scale than that claimed by GE is inevitable. GE says its UDF does not need a gearbox, thereby easing maintenance costs. But Rolls-Royce and Pratt & Whitney believe that gearboxes are essential, as on conventional turbo-propeller engines. They argue that gearboxes will mean even further savings on fuel consumption will be possible in the Prop-fans, leading to bigger savings in direct operating costs.

Rolls-Royce is especially critical of GE's claims of an in-

service date of 1992. Mr Ralph Robins, Rolls-Royce's managing director, says his company's own research indicates that problems of noise and vibration may be much more difficult to solve than GE suggests, and that the later 1990s are more realistic. The company believes that a military, rather than a civil, aircraft is the likely first user.

Both Rolls-Royce and Pratt & Whitney have a big investment in the new V-2500 jet engine for the A-320 and other

No airline wants to be the launch customer

new airliners, an investment which they want to safeguard. So they believe that to introduce a rival power-plant into the market now would be highly damaging. It would be better to concentrate on getting Prop-fans onto the next generation of airliners after the A-320, rather than confuse the airlines and hurt V-2500 sales.

Such considerations do not deter GE and Snecma, both of which are also currently in the 150-seater market with their joint CFM-56-5 engine, which directly rivals the V-2500. They claim that by offering both the CFM-56-5 and the UDF, they can get the best of all possible worlds in both civil and military markets.

This does not mean that Rolls-Royce and Pratt & Whitney are playing down the Prop-fan. Far from it. Although Rolls-Royce does not have the benefit of the big U.S. research programme, it is spending

much of its own money on its own Prop-fan, which it called an Advanced Propeller, and believes that eventually it will have a device that will rival anything the U.S. can offer. Moreover, as the world aero-engine industry forges new links to develop Prop-fans, a link between Rolls-Royce and Pratt & Whitney cannot be ruled out, although in both say they have not yet discussed it. It is also possible that other European engine companies, such as Fiat Aviazione of Italy and MTU of West Germany, will try to join one or another of the big three to get some share of the action.

So far, the airlines themselves have shown a reluctance to become involved in the Prop-fan debate. They are all aware of what is going on, but say they must wait and see what the flight tests produce, and then what Boeing and McDonnell Douglas do, before committing themselves. No airline as yet wants to be the launch customer for the Prop-fan, and it is likely to take every ounce of Boeing's admittedly persuasive salesmanship to convince prospective customers that a new aircraft using GE's UDF is possible and desirable for the early 1990s, despite the undeniable attractions of big cuts in operating costs.

In the meantime, Airbus is exploiting the situation by arguing that Prop-fans, either UDFs or others, are such a long way off that airlines would be better advised to buy the A-320 now. With Fan American Airlines, Airbus has a bag, other major airlines are likely to follow soon.

Although Boeing is still winning orders for its smaller 737-300, and McDonnell Douglas is also successful with its MD-80 series—their answers so far to the A-320—airline interest in the latter aircraft, with conventional turbo-fan jet engines, is growing. Many airlines believe that Boeing is taking too much of a risk in leaving it so late to launch its own rival to the A-320. Even McDonnell Douglas is offering MD-80 for delivery by 1989 in a bid to beat off A-320 competition.

If the GE Unducted Fan were to run into hidden snags, delaying it by so much as a year or two, Boeing would have a market now, with jet engines (V-2500s or CFM-56-5s) and could miss the market tide, despite being able to offer an aircraft with advanced technology in other areas.

By the time of the Farnborough Air Show in September, in September, 1986, the Prop-fan flight test programme should be proving who is right or wrong. By the next Paris Air Show, in midsummer, 1987, Boeing and GE may well feel sufficiently confident formally to launch a new airliner using the UDF. If that happens, Airbus and much of the rest of the industry could find themselves involved in one of the fiercest sales contests the world has yet seen.

Room at the top, French-style

It was an historic day for L'Air Liquide, the large French industrial gases group. It has a new chairman, only the third new chief executive of the company for 83 years.

But there will be no shake-up. The succession at L'Air Liquide has been carefully and long prepared. After running the company for 40 years, Jean Delorme will be handing over to his son-in-law, Edouard de Royere, vice-president. Delorme was the second chairman of the company, formed in 1902.

The company, described as France's first multinational, acquired worldwide footholds including the U.S. and Japan early in its history and has more plants abroad than any other French company. Under Delorme, L'Air Liquide has prospered as the Vatican consolidated its international presence. Today it is involved in 55 countries.

Focused on the industrial gas business but also in construction, chemicals, pharmaceuticals and welding, it has been a French success story. Sales are expected to total around FF20bn for 1984 and earnings could reach FF1.1bn or more.

Delorme is in the tradition of veteran French entrepreneurs like Marcel Dassault, the aerospace tycoon who is running again for parliament at the age of 93. Jean Mantelet ran Mouton for 40 years to 1972 and is still chairman of the executive committee and other external managers include Francois Michelin, head of the French tyre group.

At L'Air Liquide, a company insider said: "We've had two chairmen since we were founded and some people think that's already too much."

Fever in the City

The elections at the Stock Exchange for places on the council will provide excitement

Men and Matters

for the second year. Last year rebel broker Jeremy Lewis, beat Sir Nicholas Goodison into second place. Yesterday Lewis was forced to resign from the council over his stand on the rules the scrutineers had to draw lots. It was all highly secretive. "I don't know whether they spin a coin or break matches," Hugh Smith said yesterday.

In any event, Hugh Smith lost. There is some justice, however, and the main who beat him in that controversial tie-breaker has to run again in this year's elections. Place your bets.

Moving west

From across the Atlantic comes intriguing news about David Plastow, Vickers' chief executive. He has accepted an invitation to join the board of Tenneco, the Houston-based conglomerate which counts itself among the top 20 U.S. companies.

Tenneco is a far-flung 1960s-style conglomerate whose interests cover date-growing in California, operating a gas pipeline from the Gulf of Mexico to New England and building ships in Virginia for

the nuclear navy. In recent months, like almost every other U.S. energy group, it has been singled out as a possible takeover target—which may explain the approach to Plastow.

The Vickers chief is joined on the board by Michael Blumenthal, former U.S. Treasury Secretary and chief executive of Burroughs, the computer multinational. The non-executive appointments should strengthen the Houston team which has been increasingly on guard against sharks and greenmailers.

Plastow has spent five hard years rationalising Vickers into five core businesses covering among other areas marine engineering, military tank and Rolls-Royce car manufacturing—maybe he is seeking a fresh challenge.

Golden oldies

Charting the price of a gold sovereign against the cost of a set dinner at London's Savoy Hotel gives food for thought: Julian Baring, a partner of James Capel and Co pointed out at the FT Gold Conference in Lagos, in 1914, the last time a note could be exchanged for a sovereign, the cost of a Savoy dinner was today's equivalent of 30p. At that time 3.3 people could have dined on a sovereign.

Baring has worked out the number of people who could have eaten at the Savoy during the 1974-84 decade. No prize for guessing—the average over the period was 3.3.

This year the Savoy is charging £21.00 for its set menu. The price of a sovereign

is £59.40 so only 2.4 people could afford to dine on it. In terms of dinner at the Savoy, Baring suggests gold is 16 per cent too cheap, which should encourage the bulls.

Novel politics

The publicity-conscious Labour borough council in Scunthorpe—which has already given us such gems as a breakaway Shakespeare festival to rival Stratford-upon-Avon and a guided tour round its crematorium—is at it again.

This time it is entering the world of fiction good and proper, by stumping up £7,000 to publish a new novel by a local author.

Stephen Benatar's "Such Men are Dangerous"—his fourth novel—is said to show the steel town in a good light. And the chairman of the leisure and arts committee, Michael Tierney, says he believes that local authorities have a duty to support local artists as "a mark of a civilised society."

Not everyone agrees with him. Lawrie Chapman, a college lecturer and member of the council's Conservative opposition, argues the council could be flooded out on townspeople with time on their hands (the result of steel redundancies) pen their memoirs.

Neither do Benatar's previous publishers, The Bodley Head, agree with Tierney's assessment that the novel will be a "good investment" for Scunthorpe. They say they have rejected it.

Unperturbed, Tierney says "It will be a marvellous publicity boost for the town."

Separate ways

From the U.S. comes this updated version of the traditional fairy tale ending: "And they lived happily ever after—he in New York, she in California."

Observer

Spring follows winter sensation

THREAT OF SUMMER CANNOT BE DISMISSED

AGAINST ALL the odds, spring arrived this year. Just after winter.

Describing this as "unaccountable seasonal variation", a ministry spokesman interrupted his announcement of the setting up of a quango to look into the possibility of night following day, to comment, "Well, this is precisely the sort of unlikely eventuality of which we are all too aware, exactly. Summer is another question entirely and, although we have the answer, it would be wholly inappropriate to mention it at this time."

Mr Terry Sensible, financial director to a chain of High Street retailers, was unimpressed by what he described as "Whitehall wackiness."

"Look at it this way," he said, "every year we have a hot bit, more often than not between June and September. It's when the staff gets incapable of working efficiently. It's when you're glad you put in Toshiba air conditioning. They have mobile units which you can move from office to office. They have 3 year guarantee. They're easy to install, Summer? I'm looking forward to it."

So Mr Sensible seems to be prepared for summer. If and when it should happen.

It pays to keep cool with Toshiba Air Conditioning.

DIAL 100 AND ASK FOR FREEPHONE TOSHIBA.
Toshiba UK Ltd, Toshiba House, Frimley Road, Camberley, Surrey.

UK DRUGS INDUSTRY

A bitter pill to swallow

By Tony Jackson

AN UNHOLY ROW is going on between the drug industry and the British Government. The industry has been crying foul over the Government's attempt to control its drugs bill. The industry has been crying foul over the Government's attempt to control its drugs bill.

Certainly, the climate has changed in the past couple of years. In controlling the profitability of drug companies, the NHS uses as its yardstick return on capital. Until August 1983, the return on capital allowed for an individual company had a ceiling of 25 per cent. Then the figure was cut to 21 per cent. Now, the range is 15-17 per cent.

Last month's introduction of a limited list—whereby certain branded drugs are banned from NHS prescription—has relatively little impact on British companies. Beecham has lost £6m in sales, and stockbrokers de Zoete and Bevan put the sales loss to Glaxo at £8m and to ICI at a mere £150,000.

But for foreign companies it is a different matter. The industry is convinced that the limited list deliberately discriminates against companies based outside the UK. The hardest-hit Swiss group Hoffmann-La Roche, stands to lose three-quarters of its UK sales.

Moreover, the move introduces a note of uncertainty into an industry whose lead times on new products regularly stretch 10 or 12 years into the future. Mr Bill Duncan, deputy chairman of ICI's pharmaceutical division, says: "In this business, the one thing I need is stability. You accept uncertainty on whether research will pay off. But what is intolerable is the added uncertainty of the rules changing all the time."

Some overseas drug companies are already talking about reviewing their UK expansion plans. Among U.S. companies alone, Upjohn is claimed to have cancelled plans for a £36m investment in new research laboratories. The U.S. and Wyeth to have cancelled expansion plans worth £30m.

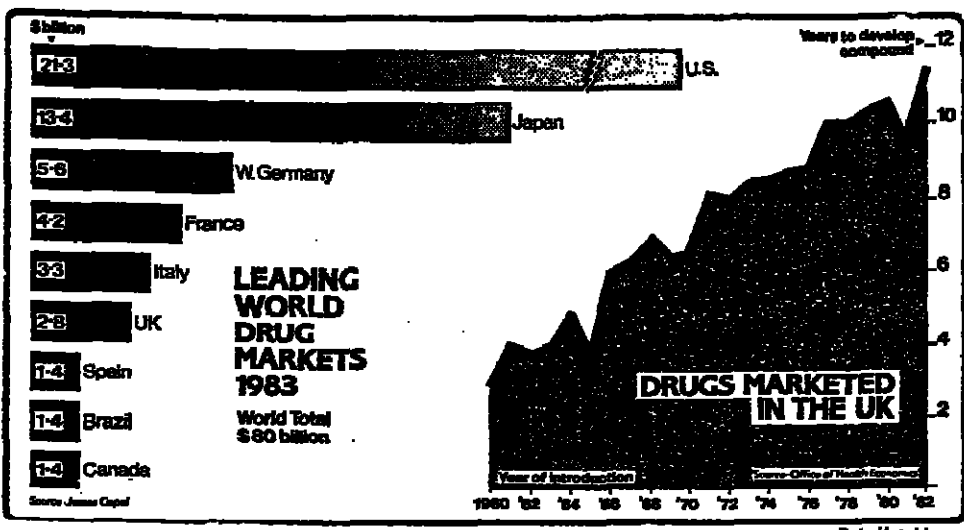
Other foreign companies—Merck and Searle, for example—have just opened large new research establishments in the UK. But these projects were all started several years ago, before the going got "rough."

If damage has been done by the latest measures, it will take years to show through. By then, the industry remarks bitterly, Government Ministers Norman Fowler and Kenneth Clarke will have moved on to fresh pastures, and no one will remember whose fault it was.

Yet the industry's complaints should not be taken at face value. Like defence contractors, drug companies are in an ambiguous position—belonging to the private sector, but with prices and profits controlled by the Government. This leads to genuine difficulty in establishing what their profits ought to be.

The Government scheme under which drug prices are controlled states only that the return to companies should be "fair and reasonable." As the Government itself admits, the phrase is so vague as to be meaningless. The complexities of the system actually give the Government considerable latitude in determining an individual company's returns, and hence, if called for, in reducing them.

And however much the companies may be complaining now, they certainly had a bonanza in the days before 1983. At that time, it will be recalled, the return on capital was up to 25 per cent—generous indeed compared with the rest of British industry in the trough of the recession. Now the tables have been turned. Effective returns on NHS sales have been as low as 12-14 per cent, whereas the average return on capital for British industry in last year's upswing, according to stockbrokers Phillips & Drew, was a remarkable



Source: James Capel

Bob Hutchison

The comparison, though, throws up further problems.

The drug industry insists that it needs high profits to fund the

costs of research, and the attendant risks, have certainly risen

sharply, particularly in the wake of the thalidomide disaster.

To develop a new drug now costs upwards of £50m, and may take 15 years—with the

possibility of failure at any stage in the process.

But the return on capital granted by the Government

through its pricing system is calculated after the cost of R & D. Drug research may be

a poker game, but it is largely the taxpayer who pays for the chips.

The UK plays an important role in the world of drug

research. Although Britain accounts for less than 4 per cent of the world market for

drugs, UK drug research amounts to around 11 per cent of the world total.

This is partly a tribute to the country's scientific status. But it certainly also reflects the

highly profitable nature of the old NHS regime.

Some countries—Canada being the classic example—pursued cheap drug policies with

great zeal in the 1970s. In Canada's case, the result was a

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The comparison, though, throws up further problems.

The drug industry insists that it needs high profits to fund the

costs of research, and the attendant risks, have certainly risen

sharply, particularly in the wake of the thalidomide disaster.

To develop a new drug now costs upwards of £50m, and may take 15 years—with the

possibility of failure at any stage in the process.

But the return on capital granted by the Government

through its pricing system is calculated after the cost of R & D. Drug research may be

a poker game, but it is largely the taxpayer who pays for the chips.

The UK plays an important role in the world of drug

research. Although Britain accounts for less than 4 per cent of the world market for

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FINANCIAL TIMES

Wednesday June 12 1985

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Merrill Lynch and UK gilts jobber in talks

By John Moore in London

MERRILL LYNCH, one of the largest U.S. securities groups, is forging a link with A. B. Giles & Cresswell, one of six jobbers or market makers trading in British government securities on the London Stock Exchange.

In a brief statement last night, both sides confirmed that they are holding discussions concerning the acquisition by Merrill of an initial 29.9 per cent stake in the market-maker.

Mr Stanislas Yassukovich, chairman of Merrill Lynch Europe, said in London last night: "The acquisition is part of a continuous strategy to prepare Merrill Lynch for strong participation in the liberalised London financial markets."

Merrill Lynch, the first U.S. investment group to acquire a London jobber, is one of 31 applicants for places as primary dealers in the restructured market in British government securities - the gilt-edged market.

Until yesterday's announcement, Merrill had remained aloof from the current round of link-ups between overseas securities houses and London-based brokers and market-makers. Its most ambitious move in the London securities market to date had been to recruit a senior gilt-edged dealer from leading London market-maker, Weld Darnley Mordant, to set up their primary dealership operations in London.

Merrill Lynch is expected to move to full control of the jobber once stock exchange rules are finally relaxed next April. No price has been disclosed in the deal.

The latest deal means that most, if not all, the independent gilt-edged dealers in Britain have forged links with other firms.

Phillips & Drew, which is to merge with the Union Bank of Switzerland, recently announced its intention to acquire Moulds, a market-maker in British government stocks. Akroyd & Smith, one of the largest of the jobbers, is merging with Mercury International, which is creating a large British investment banking group.

Liberty Life bids for UK property group

By Martin Dickson in London

LIBERTY LIFE Association, one of South Africa's leading life assurance companies, yesterday launched a £175m (\$218m) takeover bid for Capital & Counties, a large British property company.

Liberty said, however, that its bid had been prompted purely by the technicalities of Britain's takeover code and that it did not necessarily want to take control of the company.

Capital, for its part, urged shareholders to reject the offer, which "does not reflect the present value and future prospects of the company."

Liberty is making the offer through its 75 per cent-owned subsidiary TransAtlantic Insurance Holdings, which has held a 29.9 per cent stake in Capital for several years. Yesterday, TransAtlantic bought a further 4.8 per cent from the British Rail pension fund, taking its stake above the 30 per cent level, which automatically triggers a full bid under the takeover code.

It is offering shareholders 225p a share in cash, the same price it paid for its 4.8 per cent block. That compared with Capital's closing price last night of 223p ex dividend, up 23p on the day, and the company's fully diluted net asset value per share of £173m on its entire ordinary share capital.

TransAtlantic, formed in 1980 by Liberty Life, is an unquoted UK investment holding company.

See Page 18; Details, Page 23

Labour 'would want say in UK company plans'

By Philip Bassett, Labour Correspondent, in London

BRITAIN'S leading companies would have to negotiate individual corporate development plans with a future Labour Party government, according to far-reaching joint Labour-Trades Union Congress proposals to be considered by union leaders today.

The confidential document to be examined today by the TUC's economic committee has as its aim to "set the political agenda for the next election. The election must be held by June 1988 at the latest."

It is the final version of a lengthy consultation between the TUC and the Labour Party to reach a new compact that will form the cornerstone of Labour's electoral platform.

However, it has been substantially modified, principally because of searching criticisms of it by Mr Tony Benn, the Labour left-wing even though his attacks were rebutted by Mr Neil Kinnock, the party leader.

The new version, which is likely to be approved as policy at the end of the month by the TUC and Labour national executives, is much more open about proposed economic planning arrangements, insisting that development plans will have to be agreed with a "wide range of leading companies."

Although the document makes no specific reference about which companies, or how many, some senior Labour figures are suggesting privately that the top 200 UK companies would be affected.

The TUC-Labour plan makes clear that the negotiations would include union representation as well as management and government, and suggests that matters such as access to credit, state aid, trade policy and support for innovation will all depend on the negotiations approving individual company plans.

It states: "Our aim is to make sure that our strategy for recovery is translated into action - to see that companies, both public and private, match up to their responsibilities for helping us strengthen the British economy."

The document, which has already been approved by Labour's home policy committee, goes further by saying: "We will also ensure that the policy of companies can be justified by reference to their efficiency and market conditions."

That reversion to the idea of planning agreements, although on an individual company basis, is coupled with a warning that a Labour government might have to inter-

vene in certain industrial sectors to curb import growth and the degree of import penetration.

In return, it makes two specific pledges in employment areas, as well as proposing a wide range of initiatives on investment, regional policy and local government.

● The repeal of the Conservative Government's "divisive" labour legislation, and its replacement by legislation that would include employees' rights to information, consultation and representation.

● A job for every young person at the end of a high-quality, two-year programme of education and training, provided by "sufficient resources and backing" for the Manpower Services Commission.

Significantly, the document barely mentions the TUC, concentrating instead on Labour's relations with ordinary working people, at local level.

It touches in imprecise terms on the thorny question of pay, accepting the need to deal with issues of unemployment inflation and the distribution of income although it makes no specific proposals other than to "reject the Government's policy of holding down wages."

Socialist union accuses Paris of employment policy 'failure'

By David Housego in Paris

FRANCE'S Socialist Government yesterday came under harsh criticism over its employment policies from the union normally most sympathetic to it.

Mr Edmond Maire, leader of the pro-Socialist CFDT, said that in employment terms the Government's policies were a "serious, resounding failure."

Speaking at the union's three-year congress at Bordeaux, he described them as giving little hope of job creation and said that what was needed were policies that would restore dynamism and reduce social inequalities.

He contrasted a level of unemployment that was sapping the cohesion of society with the fortunes being made on the bourse by the current boom in French share

prices and declared that the Government had "fallen back on a policy of short-term management."

M. Maire's unexpectedly strong statement comes at a time when the Government is trying to persuade the electorate that there is no alternative to its anti-inflationary policies but that it is trying to relieve unemployment through training and community work programmes.

In opening an important congress that will determine future union policy on such a note, M. Maire was giving vent to the disenchantment of his own rank and file while trying to prevent them from reverting to orthodox militant unionism.

M. Maire is the most thoughtful of the French union leaders, and has long tried to steer his membership

towards adapting to technological change in industry. But during the past three years the CFDT has lost ground in the French union movement at a time when all the unions have been losing members.

In elections to the social security administration in 1983 - the main test of unions' comparative strength - the CFDT slipped back from second to third place behind the Communist-led CGT union and the orthodox Force Ouvrière.

M. Maire suffered a further setback in December last year when his rank and file rejected agreements he had negotiated with the employers over more flexible working hours and working practices. For a while it seemed that M. Maire's own leadership of the CFDT was under threat.

Harveys in Spanish bid for leading sherry role

By Tom Burns in Madrid and Lisa Wood in London

HARVEYS of Bristol, the UK's Allied Lyons sherry and port subsidiary, appears set to become the world's leading sherry shipper with what it describes as a "substantial bid" for two Spanish sherry and brandy companies that belonged to the Rumasa group.

The offer for the two companies, Terry and Palomino y Vergara, has been accepted by the Patrimonio Nacional, the Spanish government agency charged with the disposal of the Rumasa companies after the expropriation of the holding in 1983. The bid now has to be formally endorsed by the Spanish Cabinet which is to meet next week.

Mr David Beatty, managing director of Harveys, which holds 15 per cent of the international sherry market and 21 per cent in the UK, yesterday declined to comment on the details of the bid. "We have put in a substantial bid and we will not know the results until June 13 or 19," he said. "It would be foolish to presume anything at this stage."

The bid from Harveys, whose best-known brand is Bristol Cream, came in a final round of bargaining over the sale of Rumasa's sherry division. Madrid officials said yesterday that Harveys had outbid Seagram, the Canadian drinks group that owns Sandeman, the sherry producer.

Details of the acquisition were not disclosed, but Madrid officials said the Harveys bid was Pta 500m (\$2.8m) higher than the rival offer by Seagram. Harveys also undertook to add a new bottling plant to the Terry company.

Terry, which has a current annual turnover of Pta 7m, is understood to be one of the most desirable of the Rumasa sherry properties. Palomino y Vergara has a current turnover of Pta 60m.

A spokesman for the Sherry Exporters' Association in Spain said Harveys' double acquisition was "very likely to put the company ahead of rival producers Domecq and Gonzalez Byass."

Rumasa, at the time of the expropriation, owned a total of 19 sherry producers, and the holding's sherry division represented a third of the sherry trade's exports. The 19 producers were streamlined into six companies by the Patrimonio Nacional and offered to the highest bidders.

Spanish officials said the Garvey Company, which owns the top-selling Spanish brandy Escudero, had been sold to the West German group Coop A.G., which has already acquired Mantecados Leoneses, a former Rumasa company. Leaving aside Williams and Humbert, which are the subject of litigation, the two remaining former Rumasa sherry companies, Diaz-Merito and Bodega Internacionales, have been acquired by Mr Marcos Eguizabal, who has extensive interests in intensive early-season farming.

Loss expected at Storage Technology

By Paul Taylor in New York

STORAGE TECHNOLOGY, the troubled Colorado-based computer peripheral equipment manufacturer, which is struggling to reorganise its operations after filing for protection from its creditors under section 11 of the U.S. bankruptcy code last October, said yesterday that it expected to report a first-quarter loss of about \$30m.

The projected loss appears to reflect the company's internal difficulties together with the general recent malaise of the U.S. computer industry, which has forced almost all the main players in the sector to cut jobs and reduce earnings estimates.

Mr Ryal Poppa, Storage Technology's new chairman, disclosed the expected first-quarter loss in a letter to shareholders. Last year the once high-flying disk and tape-drive manufacturer reported a net loss of \$50.5m including \$27m in write-offs and inventory adjustments.

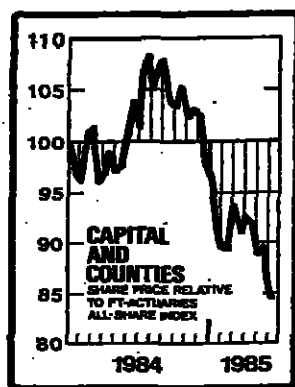
The projected 1985 first-quarter loss includes the \$18m negative effect of an accounting change. In the comparable 1984 period, the company lost \$18.7m on revenues of \$170.5m.

The group has been struggling to rebuild customer confidence since its Chapter 11 filing last year. Its orders have dropped dramatically, however, because consumers have delayed purchases to await delivery of competing products due from IBM later this year.

North American Philips warned yesterday that its second-quarter earnings would be "significantly" below earnings in the 1984 period and that net earnings for the full year would be down modestly from 1984.

THE LEX COLUMN

Putting Nigeria under wraps



did so at the minimum permissible price.

Yet it may be that TAI's relaxed approach simply reflects the strength of its hand. It has 34.5 per cent already and can increase its effective holding at any time by picking up convertible loan stock.

The offer of 225p per share is no knock-out but it is roughly equivalent to the after-tax break-up value and represents a discount of only 12.7 per cent to fully-diluted net asset value. C & C might be able to lift that value a little but probably not enough to leave the TAI offer trailing by more than the average sector discount of 25 per cent.

There is no reason to doubt Liberty Life, TAI's parent, when it says that it would prefer to keep a substantial quoted minority in C & C. But majority control would at least give the South African group a quoted vehicle with which to mount a more serious assault on its long-term quarry, Sun Life. Either way, there is no point in accepting just yet.

Argyll

In the past 12 months, most City misgivings about Argyll have vanished and the share price has more than doubled. Gone is the Meccano-bolted structure of second-rank food retailing properties unlikely to grow except through paper-pushing acquisitions; in comes a group with a coherent strategy which deserves no discount to any but the giants of the sector.

Yesterday's preliminary statement was confirmation of respectability - as much for its epic chairman's statements and three-year plan as for the 33 per cent increase in taxable profit. The only jarring note was a £10m net item charged below the line for costs and provisions associated with warehousing

and with changing the names of shops. Motorway distribution centres may cut the stock turn to a fortnight, while trimming down to a mere two major chains should help the customer identify with the group; but these are scarcely the fundamental alterations in the business implied by this form of accounting.

The share price had better things to do than pause over such details, gaining 12p to 320p as estimates for the year were increased. With net margins still under 3 per cent, there is obviously more to do at Presto while the £10m shaken out of waste in capital last year shows that the group has no intention of going soft on suppliers. But the U.S. drinks business actually showed a fall in dollar-denominated profits and is unlikely to do much better until Argyll can shift its portfolio towards more fashionable drinks.

Guinness

The Arthur Guinness of old could always be relied upon for a few surprises on results day, but unpredictability and eccentricity have now gone the way of poor Arthur. Plain Guinness plc is the very model of reliability. Yesterday's results for the half year to March were marginally above most City expectations and a 20 per cent rise in profits before tax to £37.2m was enough to lift the share price 2p to 280p. But, beyond evidence of impressive post-acquisition management at Martin the Newsgroup, there was nothing exactly surprising.

The solid image which Guinness has so successfully nurtured could soon be put to the test. There is no doubting the management's appetite for a substantial acquisition to enhance the dominant brewing instincts and there is no longer much financial impediment. The group's shares are the most highly rated in the sector - full-year profits of £24m pre-tax would give a p/e of over 11 - and the restructured brewing division should soon be cash positive.

Finding something to buy may not be so easy. It is unlikely that, in the UK at least, Guinness could make an acquisition in the health business big enough to affect the balance of the group while, for all the success with Martin, Guinness will find the retailing scene crowded with potential counter-bidders.

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NEWS REVIEW

BUSINESS

EFA radar proposals

The MoD (Procurement Executive) has nominated Ferranti Defence Systems as the lead contractor responsible for discussing UK participation in a common interception radar for the European Fighter Aircraft (EFA).

Ferranti will be assessing proposals for a collaborative programme with the nominated lead contractors of the other EFA nations.

Current Ferranti radar production includes the scanner unit and transmitter for the Foxhunter radar for the ADV Tornado and the Blue Vixen radar for the updated Sea Harrier.

Satellite TV

Ferranti plc has confirmed that an 18% shareholding has been taken in Britsat, a company which is bidding to provide a Direct Broadcast Satellite (DBS) to a consortium of broadcasting interests including the BBC and the ITV companies.

DBS is the method whereby television programmes are broadcast via satellite and received direct in the home using a small rooftop dish aerial. Successful development of this system could create business opportunities in areas of interest to Ferranti.

Briefly...

Production of the Ferranti Type 125 floated rate integrating gyro, manufactured by Ferranti Defence Systems, Edinburgh, has passed the 10,000 mark.

Ferranti Offshore Systems, Aberdeen reports a 100% increase on satellite communications business during the past twelve months.

TELECOMMUNICATIONS

OMNI connects police

Hertfordshire Police has become the first big customer for a Ferranti GTE OMNI SI digital exchange.

The £700,000 package is for 17 PABXs to equip the whole county police network and includes handsets and key systems. The OMNI is particularly suitable for integrating voice and data and provides a single-system solution to the complex challenge of countryside line communications.

The system replaces electromechanical equipment and is designed to allow rapid and flexible communication between both computer terminals and telephone extensions. Interstation Meg-

Stream voice and data links will utilise the OMNI's powerful full networking capability while a centralised VDU-based programming console allows remote reprogramming of any of the individual exchanges. Hertfordshire Constabulary originally announced its intention of ordering a new exchange system in the BBC Journal and had contacted companies on the Home Office's list of approved suppliers. The need for PABXs with proven software and a high level of reliability was stressed. According to the Hertfordshire Police, Ferranti GTE was awarded the contract against competition from nine other companies.

NEWSPAPERS

Express composing

The contract to supply the Express Newspapers Group with computerised composing systems has gone to Ferranti.

Three systems, worth more than £1m, are going into the composing rooms in London and Manchester.

One system is to be installed at Great Ancoats Street in Manchester for use on the Daily Star, the Daily Express and the Sunday Express. Two more are destined for Fleet Street, one for the Daily

Express and Sunday Express and the other for the Standard.

Each of the three systems uses twin computers which automatically switch over in the event of a breakdown. The Manchester installation will have 34 terminals and the London installations will have 26 each. Each terminal can use 90 Kei Linewriter style keyboards to ease the transition from hot metal operation.

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World Weather

Area	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Amst	21	70	24	75	24	75	24	75	24
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'Threat to car market'

Continued from Page 1

Germany said the impact of the proposals on its own vehicles would not become clear until ministers had also reached agreement on the still-unresolved question of a vehicle testing cycle to which the standards would be applied. The ministers agreed in March that European standards should have the same impact on the environment as standards applied in the U.S., but a precise method of translating U.S. standards into a European equivalent has yet to be agreed.

Mr Walgrave made clear yesterday that the UK considered that there was little room for further

compromise towards the West German position - a line expected to be taken also by France and Italy.

If the June 24 meeting ends in deadlock, the Community could find itself plunged into a major row as early as July 1. That is the date when West Germany would press ahead unilaterally with a tax incentive scheme for cars fitted with catalytic converters - a move which would almost certainly spark off retaliation by France at least.

For that reason, the issue could well wind up on the agenda of the EEC summit at the end of this month.



Sr Fernando Alfonsin

New plan for Argentina

Continued from Page 1

The U.S. Treasury said last night it expected agreement on the bridging loan to take another few days. Argentina has promised to pay bank creditors about \$600m in overdue interest when the loan is agreed, reducing interest arrears on its public sector debt by around half.

The problem now, however, is to develop a concerted international response to the bridging loan after two major government creditors, West Germany and Switzerland, said they would not participate.

Mr William Rhodes, said the IMF agreement "should allow us to make rapid progress" on Argentina's debt rescue package.

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Takeover bid for Warner Amex lifted to \$850m

BY PAUL TAYLOR IN NEW YORK
AMERICAN EXPRESS, the U.S. financial services group, yesterday accepted a sweetened \$850m cash offer from American Television and Communications (ATC), the Time Inc. subsidiary, and Tele-Communications for its Warner Amex loss-making cable television joint venture with Warner Communications.
Under the terms of the new offer, American Express said ATC and Tele-Communications had also agreed to sell off the joint venture's programming interests, which include a 19 per cent stake in Showtime/The Movie Channel, a premium pay-television channel and a two-thirds interest in MTV Networks, a non-stop rock video channel.
Such sales could generate around \$300m in proceeds, according to Wall Street estimates. American Express said that, if the deal was completed, it and Warner Communications would share in the profits from the sales of Warner Amex's programming interest above a certain unspecified level.
American Express said the definitive agreement with ATC and Tele-Communications, the nation's two largest cable television operators, was subject to Warner Communications also agreeing to sell its 50 per cent stake in the joint venture, whose non-programming assets include 119 cable systems in 25 states with about 1.5m subscribers.
The financial services group said Warner Communications, which

Leucadia bid to lift stake in Intergroup

By William Hall in New York
NATIONAL INTERGROUP, a conglomerate whose diversification out of the U.S. steel business has attracted the attention of corporate predators, is facing a fresh challenge from Leucadia National Corporation, its leading critic.
Leucadia, a New York-based consumer finance and insurance group, said yesterday that it was seeking federal regulatory approval to increase its stake in National Intergroup from 9 per cent to 24 per cent. National Intergroup shares, which have recently been trading close to their 12-month low of \$24, rose 5% to 25% in early trading yesterday morning.
National Intergroup has been involved in a running battle with Leucadia, one of the more secretive corporate raiders on Wall Street, for several months. Leucadia has mounted two unsuccessful proxy battles against National Intergroup which is trying to restructure itself.
In 1981, National Intergroup, which used to be known as National Steel, sold its Weirton steel division to employees, and it has slimmed down its remaining steel facilities and sold 50 per cent of its National Steel subsidiary to Japan's Nippon Kokan.

Swedish bank's operating profit slips 11%

By David Brown in Stockholm
SVENSKA HANDELSBANKEN, one of Sweden's three largest commercial banks, reports an 11 per cent decline in operating profits for the first four months ending April to SKr 510m (\$97.3m).
The bank warned that the recent tightening of monetary and credit policy by the Swedish central bank, unless eased later this year, could cut as much as SKr 500 from its annual result. The bank's operating results were SKr 1.77bn in 1984.
Like all Swedish commercial banks, Handelsbanken has a large portfolio of fixed-term public-sector bond commitments, and last month's increase in the official discount rate by two points and the penalty rates by 2.5 points, part of the Government's credit squeeze, cannot be entirely offset by higher volumes or lending rates.

BRONFMAN FAMILY'S SHARE SHUFFLING LEAVES ANALYSTS PUZZLED

Seagram shake-up stirs bid speculation

By Bernard Simon in Toronto

EVER SINCE Sam Bronfman and his brothers began their thriving bootlegging business on the Canadian prairies during Prohibition in the U.S., an air of mystery has hung over the Bronfman-controlled Seagram drinks empire.
Rumours swirling around the world's biggest wine and spirits producer have intensified lately as analysts, investors and the business community in general speculate on the motives behind a series of complex manoeuvres by Mr Sam Bronfman's four children, holders between them of 40 per cent of Seagram's shares.
The company's first-quarter results, published earlier this week, are likely to provoke further questions, especially on Seagram's vulnerability to a takeover bid and the major acquisitions that some analysts believe the company is planning.
Earnings plunged by 72 per cent to U.S.\$24.4m in the three months to April 30. While the drop was due largely to sharply lower profits at E. I. Du Pont in which Seagram has a 22.4 per cent stake, Seagram's own earnings from wine and spirits also declined by 6.5 per cent. The company's share price has slipped by 8 per cent in Toronto over the past three weeks.
The Bronfmans began to reshuffle their interests almost a year ago by transferring control of Seagram from their family holding company Camp Investments to individual



Mr Edgar Bronfman

their company was vulnerable to an imminent takeover.
Mr Robert Vineberg, the family's Montreal-based lawyer, denies both suppositions. He says that the sale of Baroness de Gunzburg's shares was done "presumably for liquidity reasons," adding that the four Bronfmans "have the finest relationship among themselves."
Although Baroness de Gunzburg did not attend Seagram's recent annual meeting, her husband Alain and her sister Phyllis did. Baron de Gunzburg is a Seagram vice-president and chairman of G. H. Mumm

and Co, the French champagne producer.
Mr Vineberg insists that the share restructuring proposal was a long-term strategy rather than a short-term defence.
Seagram may want to issue paper to fund an acquisition. Some analysts believe the company is on the lookout for a stake in a large non-durable consumer goods producer, to lower its dependence on liquor. Furthermore Seagram may have to issue up to 7m common shares over the next few years, equal to almost 8 per cent of the total outstanding, to redeem warrants and convertible debentures.
Despite these explanations, some questions still remain. The Bronfman brothers refused to exercise a right to buy their sister's shares. Why should they turn down an opportunity to maintain the family's shareholding at a time when they are apparently concerned about losing their grip on the company?
The restructuring of the Bronfman family's interests took another twist two weeks ago when Cadillac Fairview announced a proposal to exchange every 4 common shares for the same number of common shares plus 1 of a new series of preferred shares. The preferred share will carry an annual dividend of C\$1, 20 times this year's common share dividend.
Cadillac Fairview shrugs off the reorganisation as a way of attracting investors who shun the volatility of the common share market. A similar plan was devised in 1978. Mr Leo Kolber, Cadillac's chairman and one of the Bronfmans' closest advisers, says that "we treated our shareholders to a bonus."
However, the high dividend on the preferred share may also be a way of allowing some of the Bronfmans to increase their cash flows via Camp without threatening the family's controlling interest in Cadillac Fairview.
Charles Bronfman and Mr Kolber have ensured that Cadillac stays in friendly hands by buying around an extra 10 per cent of its shares earlier this year on the heels of the purchase of a substantial minority interest by the Reichmann family, owners of the rival developer Olympia and York.
The Bronfmans' intentions may become clearer if Seagram finds another way to entrench the family's control. The proposal for the new high powered voting share was shelved shortly before the annual meeting on May 22 in the wake of an outcry among investment analysts and indications that some large non-Bronfman shareholders planned to take the high voting shares rather than the increased dividend.
Strong opposition to the plan raised the prospect of a lively annual meeting. But as one Toronto analyst observed, the Bronfmans "don't want their laundry washed in public."

Austrian motor group suffers more losses

BY PATRICK BLUM IN VIENNA
STEYR-Daimler-Puch, Austria's troubled motor and engineering group, recorded increased losses last year but hopes to return to profitability by 1987, according to Mr Michael Malzacher, the company's general director.
The company hopes that its financial position will improve after heavy capital injections by the Government to finance a sweeping restructuring programme agreed by its board at the end of May. For its part the Government has yet to agree how much subsidy it is willing to provide and what these would be used for.
Operating losses totalled Sch 285m (\$13.57m) compared with Sch 280m in 1983. Sales continued to decline falling to Sch 14.6bn from Sch 15.14bn in 1983.
The company has already undertaken some restructuring and reduced its workforce from 15,515 employees in 1983 to 14,894 employees last year, but personnel costs have risen by more than 10 per cent per worker in that period with total costs up about Sch 300m to Sch 4.9bn last year.
Falling sales and escalating costs forced the company to draw Sch 1.1bn on its reserves to cover operating losses and losses carried forward from the previous year.

Citicorp hits out at U.S. court ruling

By Our New York Staff
CITICORP, the biggest U.S. banking group, said that it was "deeply disappointed" by the Supreme Court decision which emphasised the need for revision of the decades-old laws that govern banking in the country. "These laws penalise banks' customers by perpetuating protective tariffs for their banks," said Citicorp.
"The decision highlights the fact that banking, by banks, is the only business in the U.S. where markets are fragmented by law without regard to the customers' well-being. Even the proponents of Balkanised banking admit they are basically only interested in protecting themselves from competition," said Citicorp in a prepared statement.

Aegon disposes of Washington bank holding

By Laura Haun in Amsterdam

AEGON, the second largest Dutch insurance company, has sold its stake in International Bank of Washington for \$57.3m, or \$6.8m less than the stake's value at the end of last year.
A large shareholder and chairman of the bank, Mr George J. Olmsted, is acquiring Aegon's stake through the exercise of option

rights. Aegon's interest in International Bank is held through Life Investors of Iowa, a majority-owned subsidiary.
Meanwhile, Aegon is lifting its stake in Life Investors to about 61 per cent from 72.4 per cent through a tender offer valued at around \$9.7m. The Hague-based insurer plans to take over the remaining 19 per cent of the U.S. life insurance company by 1988. The price will amount to about \$100m under a formula agreed in 1981 when Aegon initially acquired its majority stake in Life Investors.
The Iowa insurer acquired its interest in International Bank, which is a holding company for industrial concerns and insurance companies, before 1981. Last year, losses in the casualty insurance activities outweighed profits in the life insurance businesses and the industrial concerns.
Aegon is seeking a listing on the U.S. over-the-counter market accompanied by a 1m share offering in a bid to further broaden international ownership.

EIB doubles capital as lending rises

By Paul Cheeseright in Luxembourg

THE capital of the European Investment Bank, the major financial institution of the EEC, is to be doubled to Ecu 28.8bn (\$20.9bn). The increase will be subscribed by the EEC's member states.
EEC finance ministers, who make up the EIB's board of governors, took the decision yesterday against the background of a steady increase in the bank's activities. Lending in the first half of this year was running 19 per cent higher than in the 1984 first half.
The increase in the capital will have the immediate effect of enlarging the EIB's scope to lend, raising the allowable maximum for credits outstanding to Ecu 72bn from Ecu 36bn. Loans outstanding at present total Ecu 30.2bn.
This push towards the loans ceiling - 2.5 times the capital - has coincided with the need to mark Spanish and Portuguese accession to the community by providing for their automatic membership of the EIB.
The Spanish share of the capital will be 7.031 per cent and that of

Portugal 0.927 per cent. The share of other EEC countries has been adjusted downwards to take this into account, with the exception of Italy, where it has been raised at the request of the Rome Government.
Germany, France, Italy and the UK will each hold 10.127 per cent of the capital, under which other capital shares are staggered down to Luxembourg's 0.134 per cent.
In line with past practice, the EEC states will only be paying in a portion of the capital they subscribe. Of the Ecu 14.4 per cent in-

crease, Ecu 2.6bn will be paid over 12 six-monthly instalments from April 1986.
Total EIB lending this year up to June 11 has reached Ecu 2.7bn, of which the lion's share has gone, as the past, to Italy. Borrowing on the markets is up to Ecu 2.5bn so far this year, against Ecu 1.9bn over the same period in 1984.
Although dollar borrowing remains the single most important component of the borrowing, the role of Ecu borrowing has continued to increase.

EUROBONDS

N. Zealand returns to market

By Peter Montagnon, EUROMARKETS CORRESPONDENT, IN LONDON

NEW ZEALAND yesterday launched its first fixed-rate issue in the Eurodollar bond market since 1976, in the form of a two-tranche deal totalling \$300m.
Partly because of the rarity of the name, the deal was relatively well received in an otherwise rather sluggish market. Though secondary market prices picked up slightly from Monday's lows, other recent issues continued generally to trail outside their total fees.
Led by Credit Suisse First Boston, alongside Kidder Peabody, Salomon Brothers and S.G. Warburg, the New Zealand issue comprises a \$200m, 10-year tranche and a \$100m, 15-year portion. Both are priced at par, but the first carries a 10% per cent coupon and the second 10% per cent.
Elsewhere, general investor uncertainty over the trend of exchange markets and of U.S. bond markets continues to provoke a spate of interest in the high-coupon Antipodean currencies. Both the Australian and New Zealand dollar sector saw new issues yesterday.
CSR, the Australian energy, resources and mining conglomerate, is raising \$450m through a five-year 13% per cent issue priced at 100% per cent by Hambros Bank. Co-lead managers are S.G. Warburg and Kredietbank.

EIB Bank bond average			
June 11	1985	1984	Low
102.25	102.75	102.75	98.840
High	102.950		

7% per cent issue at par for Korea Ex-Im Bank which is led by DG Bank and was also poorly received, while Japan Highway Public Corporation is tapping the Swiss market for SwFr 150m through a five-year, private placement bearing a coupon of 5% per cent and led at par by Credit Suisse.
The EEC launched a Ft 200m, 15-year, 7% per cent issue at par through Amro and Algemene Bank Nederland.
In the convertible sector the \$75m issue for Thomson-CSF of France was priced with a 7 per cent coupon and conversion premium of 9.9 per cent, while the SwFr 50m convertible placement for Asias, the Japanese sportswear concern, has been awarded a 1% per cent coupon and conversion premium of 2 per cent.
Japan's Ministry of Finance has confirmed that it will permit floating-rate notes to be launched in Europe later this month. But the issues must have a maturity of at least five years, and Japanese borrowers will be excluded from the market.
Full details of the ministry's rules are expected to be circulated before the next round of financial discussions between the U.S. and Japan, scheduled for next Tuesday.
International bond service, Page 28

Reynolds sets up finance for Nabisco deal

By Our Financial Staff

R. J. REYNOLDS Industries, the U.S. tobacco group, has lined up \$2.5bn of three-year revolving credits to finance the cash portion of its recently announced \$4.9bn bid for Nabisco Brands, the foods group.
The six largest New York banks are understood to have pledged \$300m each, and five other money centres and regional banks have committed between \$75m and \$250m in separate agreements.
Last week, Reynolds began a tender offer for 28m shares or 51 per cent of Nabisco's outstanding common stock for \$55 a share in cash. The offer expires on July 1.
Once the bid has received necessary regulatory approval and initial drawdowns on the credit lines have been made, Reynolds plans to issue commercial paper and long-term debt.
The six New York banks to commit \$300m are Bankers Trust, Chase Manhattan Bank, Chemical Bank, Citibank, Morgan Guaranty Trust and Manufacturers Hanover Trust.
In addition, Bank of America has pledged \$250m, Mellon Bank \$200m, NCNB National Bank of North Carolina \$100m and First Union National Bank of North Carolina and Wachovia Bank and Trust \$75m each.

This announcement appears as a matter of record only. The Notes are not being registered for offer or sale in the United States. Offers and sales of the Notes in the United States or to United States nationals and residents will not be made as part of the distribution and might constitute a violation of United States law if made.

Sears, Roebuck and Co.

and

Sears Roebuck Acceptance Corp.

U.S.\$500,000,000

Revolving Underwriting Facility with Continuous Tender Panel

Lead Managers

Banca Commerciale Italiana	Banca Nazionale del Lavoro Chicago Branch
Banco di Roma	Banque Nationale de Paris
Banque Paribas	Crédit Commercial de France
DG BANK Deutsche Genossenschaftsbank	Dresdner Bank AG, Chicago Branch
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft	Westpac Banking Corporation

Managers

Banca Nazionale dell'Agricoltura New York Branch	Banco di Napoli - New York Branch
Banco di Sicilia - New York Branch	Banque Internationale à Luxembourg
CIC-Union Européenne Internationale et Cie.	Kansallis-Osake-Pankki

Co-Managers

Banca Popolare di Milano New York Branch	Banco di Santo Spirito (Luxembourg)
Bank of China, New York Branch	Bank of New Zealand
Banque Générale du Luxembourg S.A.	Berliner Handels- und Frankfurter Bank
Malayan Banking Berhad	Monte dei Paschi di Siena

Arranger and CTP Manager
Dean Witter Capital Markets-International

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May 1985

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U.S.\$100,000,000
**Collateralized Floating Rate
Notes due 1999**
For the six months
12th June 1985 – 12th December 1985 the
notes will carry an interest rate of 8½% per annum with an
interest amount of U.S.\$2,065.10 per U.S.\$50,000 nominal.
The relevant interest payment date will be
12th December 1985
Listed on the Luxembourg Stock Exchange
Bankers Trust Company
Agent Bank

INTL. COMPANIES & FINANCE

Hong Kong plans to inject HK\$2.5bn into MTRC

BY DAVID DODWELL IN HONG KONG

THE Hong Kong Government yesterday announced plans to inject HK\$2.5bn (U.S.\$321m) in equity into the financially extended Mass Transit Railway Corporation (MTRC), with a possible commitment to provide a further HK\$2.5bn after 1989.

The proposals were given the go-ahead by the territory's Executive Council yesterday, and will have to be approved by the Finance Committee in two weeks' time. If passed, the MTRC will get an equity injection of HK\$1.5bn this year, with a further HK\$1bn coming by 1989.

Commitment of the other HK\$2.5bn "will depend on future interest rates and the MTRC's" the Government said yesterday. In any case, it will not be disbursed before 1989.

The Government is the only shareholder in the MTRC, having provided capital of HK\$5bn since the corporation was set up in 1975. The MTRC has in addition raised export credit finance and commercial

loans amounting to HK\$19.5bn. High interest costs, coupled with lower-than-expected passenger revenues, left the corporation with an operating loss last year of HK\$45m.

Hong Kong's Mass Rapid Transit System, which was extended only last Friday with the opening of a HK\$11bn line along Hong Kong Island's northern coast, is understood to be the most heavily used in the world. About 1.2m passengers use the system every day—about 46,000 per kilometre of track, compared with 40,000 in Tokyo and 4,000 in London.

Mr Wilfrid Newton, chairman of the MTRC, warned recently that high loan interest rate charges were depleting shareholders' funds at an accelerating rate. The group could soon be technically bankrupt. Interest and finance costs, which are charged to the profit and loss account, amounted to HK\$863m in 1984, 10 per cent up on the previous year. It has been clear for several months that the corporation was

Overseas Trust Bank depositors reassured

By Our Hong Kong Correspondent

DEPOSITORS at Hong Kong's Overseas Trust Bank were given a reassurance yesterday by Mr David Turner, who has been seconded from the Hong Kong and Shanghai Banking Corporation to manage the bank on behalf of the Government.

He said "Our main priority is to make sure that OTB, and its subsidiary, Hongkong Industrial and Commercial Bank, are operating normally and to reassure depositors that their funds are safe."

In Hong Kong's Western magistrates court, Mr Patrick Chang Chen-Tung, a former director of OTB, appeared with Mr George Leow Tshun-ka, the Singapore head of OTB's credit card operations, to be charged jointly with conspiring to defraud creditors, depositors and shareholders in OTB.

The two men were charged with dishonestly causing OTB to make excessive or inadequately secured loans to companies or persons associated with Mr Chang or under his control during the past 34 years. Mr Chang's application for bail of HK\$7m was turned down. Both men were remanded in custody until July 25.

Meanwhile, share prices on Hong Kong's stock markets plunged yesterday as stockbrokers used worries following the OTB collapse as an excuse to lighten their exposure in what is expected to be a flat market for the near future.

The market's main indicator, the Hang Seng index, fell by 80 points to end the day at 1,482. This is more than 150 points below a 31-year high point reached less than a month ago.

World stock markets, Page 31

ICI Australia shows decline at six months

MELBOURNE — ICI Australia reports a decline in net earnings to A\$13.7m (U.S.\$13m) for the first half to March from A\$34.43m a year earlier. The interim dividend was held at seven cents.

The group said it expected some improvements in profits in the second half if demand continued at present levels.

The first half sales rose to A\$753m from A\$717m mainly reflected higher volumes achieved against strong import competition, ICI said.

ICI noted first half comparisons were distorted by the abnormally high investment allowance of A\$19.4m in the first half of 1983-84 against A\$783,000 in the later period.

ICI Australia is owned 62.4 per cent by Imperial Chemical Industries of the UK.

Reuter

General insurance helps NZI lift profits by 44%

BY OUR FINANCIAL STAFF

NZI, the New Zealand financial services and insurance group, has reported a 43.8 per cent increase in consolidated net earnings for the year ended March 31, from NZ\$48.9m to NZ\$70.3m (U.S.\$81.5m). Earnings per share, adjusted for last year's capital increase, rose from 17.6 cents to 22.1 cents, while the company puts the return on shareholders' funds at 19 per cent last year. Group revenues for the year rose from NZ\$804m to NZ\$1.06bn.

General insurance operating earnings showed a strong improvement from NZ\$30.5m to NZ\$46.8m, with premium income showing real growth for the first time in several years.

The life insurance division, by contrast, showed a slight decline in operating earnings from NZ\$4.2m to NZ\$4.1m. An

increased surplus on policyholders' funds was offset by a drop in investment income and in abnormal items.

Earnings from the company's finance divisions rose to NZ\$14.5m from NZ\$9.5m, though half of this year's figure was accounted for by extraordinary items, notably the disposal of Brierley Investments of a holding in Bunting, the Australian group. Assets of the division rose to over NZ\$1bn, reflecting the acquisition during the year of Armo's business in Australia — where NZI now has a merchant banking licence.

The board is proposing once again a bonus issue of one new share for five held, together with a final dividend of 4.75 cents to make a total distribution for the year of 8.5 cents.

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Maryland National Bank specializes in financing for major U.S. imports and in complex trade negotiations, such as multi-million dollar government supported loans for capital equipment export, and trade-related syndication packages. In addition to our trade finance expertise, we offer just a little bit more.

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Up to U.S. \$80,000,000

BELL & HOWELL COMPANY

12% Notes Due 1992

of which U.S. \$50,000,000 is the Initial Tranche

Issue Price of the Initial Tranche 100%

BANQUE PARIBAS CAPITAL MARKETS CITICORP CAPITAL MARKETS GROUP
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BANK LEU INTERNATIONAL LTD.
BANQUE POPULAIRE SUISSE, LUXEMBOURG
FIRST CHICAGO LIMITED
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INGEBA INTERNATIONAL COOPERATIVE BANK CO. LTD.
MORGAN GUARANTY LTD
ORION ROYAL BANK LIMITED
J. HENRY SCHRODER WAGG & CO. LIMITED
SCHWEIZERISCHE HYPOTHEKEN- UND HANDELSBANK, ZURICH
S.G. WARBURG & CO. LTD.
WOOD GUNDY INC.

By Jim Jones in Johannesburg

A DECLINE in non-banking led to lower in disclosed after-tax profits of Volkskas, South Africa's fourth largest banking group, in the year to March 1985. Group taxed profit from banking operations calculated after transfer to inner reserves, increased by 12.4 per cent to R48.6m (R44.3m) against R43.3m. However profit from non-banking interests fell by almost three quarters to R4m compared with R15.8m. As a result the group after-tax profit slipped by 10.5 per cent from R59m to R52.7m.

Worst affected of the non-banking interests was Bouskor, which is 63 per cent owned by Volkskas and which has interests in timber, manufacturing and trading. Bouskor's after tax loss increased to R6.9m from the previous year's R1m.

Volkskas's directors are satisfied with group performance and say the increase in banking profits is particularly good given the negative effects of high interest rates.

Earnings fell to 172.4 cents a share from 193.5 cents and an unchanged total dividend of 57 cents has been declared.

ECU, Euroyen, Mortgage-backed Bonds

Twenty-four hour trading, TLFs and NIFs... are just some of the areas to be examined by this year's INTERNATIONAL MONEY & CAPITAL MARKETS CONFERENCE

Top speakers from major banks together with tax and legal experts will unravel the complexities of the markets and describe where they are heading.

London Marriott Hotel
27th and 28th June

For details or confirmed reservations call:
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The remaining outstanding interest of

Crocker National Corporation

has been acquired by
a wholly owned subsidiary of

Midland Bank plc

The undersigned assisted in the negotiations and acted as financial advisor to the Special Committee of the Board of Directors of Crocker National Corporation in this transaction.

Kidder, Peabody & Co.
Incorporated

Korea First Bank
London Branch
U.S. \$20,000,000
Floating Rate Certificates of Deposit due 1989
(Redeemable at the Certificate Holder's option in 1987)

In accordance with the provisions of the above Certificates, notice is hereby given that for the six months from 10th June 1985 to 10th December 1985 the Certificates of Deposit will carry an interest rate of 8 1/4% per annum.

The interest payable on each U.S. \$500,000 Certificate on the relevant interest payment date, 10th December 1985, will be U.S. \$20,492.19.

Agent Bank:
Lloyds Bank International

OVERSEAS TRUST BANK LIMITED
(a licensed bank incorporated with limited liability in Hong Kong)

US\$40,000,000
Floating Rate Bearer Notes 1990

Holders of Floating Rate Notes of the above issue are hereby notified that for the next interest period from June 12, 1985 to December 12, 1985 the following information is relevant:

1. Applicable interest rate: 6 1/2% per annum
2. Interest payable on next interest payment date: US \$422.55 per US \$10,000.00 nominal or US \$10,563.80 per US \$250,000.00 nominal
3. Next interest payment date: December 12, 1985

June 10, 1985

BAAsia Limited
Reference Agent

To the Holders of

KYOWA HAKKO KOGYO CO., LTD.
U.S. \$40,000,000
6 1/2% Convertible Bonds 1997

NOTICE OF FREE DISTRIBUTION OF SHARES AND ADJUSTMENT OF CONVERSION PRICE

Pursuant to Clause 7 (B) of the Trust Deed dated January 31, 1983 under which the above described Bonds were issued, you are hereby notified that a free distribution of shares of our Company at the rate of 0.1 share for each one share held will be made to shareholders of record as of June 29, 1985 (12.00 Tokyo time).

As a result of such distribution, the Conversion Price at which shares are issuable upon conversion of said Bonds will be adjusted pursuant to Condition 6 (A) of the Bonds from 725.70 Japanese Yen to 659.70 Japanese Yen effective as of July 1, 1985 (Tokyo time).

Kyowa Hakko Kogyo Co., Ltd.
Dated: June 12, 1985.

Notice to Holders of

KYOWA HAKKO KOGYO CO., LTD.
£15,000,000
6 1/2% Per Cent. Convertible Bonds Due 1996

The Board of Directors of the Company decided on the 28th May 1985 to effect a free distribution of shares at the allocation ratio of 0.1 shares for every one share held by shareholders on register at 29th June 1985, at 12.00 Tokyo time. As a result of the above the conversion price of the captioned bonds shall be adjusted from the present price of Yen 439 to Yen 399.10 as from the 1st July 1985 Tokyo time in accordance with conditions 6(A)(1) of the conditions of the bonds.

The Industrial Bank of Japan Limited
Principal Paying Agent

This announcement appears as a matter of record only.

May, 1985

**MONTEDISON****ECU 125,000,000****Medium Term Credit Facility**

Lead Managed by

Banca Nazionale dell'Agricoltura S.p.A.
London Branch — Licensed Deposit Taker
Bankers Trust International Limited
Cassa di Risparmio delle Provincie Lombarde —
Compagnie Monegasque de Banque

Banco di Sicilia
(London Branch)
Banque Indosuez
CARIPLO
IMIL (IMI Group)

Co-Lead Managed by

Bayerische Vereinsbank International
Société Anonyme

Co-managed by

Banco de Bilbao Group
Credit Industriel et Commercial de Paris
Kansallis-Osake-Pankki

Banque Transatlantique
Credit Suisse
Kreditbank International Group

Funds provided by

Bankers Trust GmbH

In association with

Bankers Trust Company
Banque Indosuez
Banca Nazionale dell'Agricoltura S.p.A.
London Branch — Licensed Deposit Taker
Cassa di Risparmio delle Provincie Lombarde
(London Branch)
Banco de Bilbao (Panama) S.A.
Credit Industriel et Commercial de Paris
Kansallis-Osake-Pankki
Banque Vernes et Commerciale de Paris
Banque Louis-Dreyfus
State Bank of New South Wales
Credit General, S.A. de Banque
Banque Continentale du Luxembourg S.A.

Bayerische Vereinsbank International
Société Anonyme
Compagnie Monegasque de Banque
Banco di Sicilia
(London Branch)
IMIL (IMI Group)
Banque Transatlantique
Credit Suisse
Kreditbank N.V.
Arab African International Bank
London Branch
Generale Bank S.A./N.V.
Bank Ippa
Landesbank Rheinland-Pfalz und Saar
International S.A.
Skopbank

Bankers Trust Company
Agent**INTL. COMPANIES & FINANCE**

John Makinson looks at the Japanese art of Zaiteku

Industrial groups play the market

JAPANESE COMPANIES have a long-standing reputation for financial conservatism. Not for nothing are both Toyota and Matsushita described as banks. They may manufacture motor cars and household appliances, but both companies derive a high proportion of their profits from the investment of prodigious liquid assets in short-term deposits. However many chances they may take on new products, neither company strays from the straight and narrow in the field of financial investment. They are, to put it no more strongly, risk-averse.

Yet Toyota and Matsushita are rapidly becoming exceptions to the Japanese rule. Increasingly, industrial companies are taking a more imaginative—even adventurous—approach to cash management. The corporate treasurer who five years ago might happily have traded places with the local bank's branch manager is now one of the more glamorous figures in the company hierarchy. Zaiteku—or treasury management—is the very height of corporate fashion.

According to Mr Masanobu Ikeda, the director responsible for accounting at JVC, two distinct trends have united to encourage a more active approach: "Japanese companies have been able to generate substantial quantities of cash through rapid economic growth, while the capital markets themselves have developed, giving companies greater opportunities for indirect financing."

Put another way, Japanese corporations have become more adept at both asset and liability management. Their financial assets have grown as a result of internal cash generation, while the increasing substitution of convertible bonds and equity for bank debt has provided them with surplus funds to invest.

The result has been a transformation of the Japanese balance sheet. Historically, Japanese companies have survived on a very slender equity base thanks to their close relationship with the banking system. Japanese banks are large shareholders in their client companies and have traditionally put strong pressure on clients to borrow heavily and, if need be, re-deposit surplus funds in the banking system but the growing financial strength of the corporate sector, the development of public capital markets within Japan and the increased access of Japanese companies to international sources of funds have recently

combined to strain that relationship. Even now, most Japanese companies treat their banks with more than a little respect. Mr Ikeda says that JVC could have repaid all its long-term bank debt as long ago as 1978 but deferred the decision until 1982 out of politeness to its banks.

Meanwhile, Mr Nobuji Kamachi, director for finance at Hitachi, explains that while the company's credit rating enables it to secure funds more cheaply from the public markets than from the banking system, "the big banks are major customers for our products, so it is a little difficult for us to repay all the debt." Hitachi's aim is to become debt-free, but for the moment the parent company has borrowings of ¥480bn (\$1.92bn)—more than matched on the other side of the balance sheet by liquid assets of ¥800bn.

Yet even the most blindered commercial banker would acknowledge that the relationship between an industrial company and its banks is much weaker than it once was. To some extent this just reflects the maturing of the Japanese economy and a shift in the manufacturing base.

Mr Kamachi, for example, says that almost all of Hitachi's cash resources have been generated internally. After the oil crisis of 1973, the company took a deliberate decision to invest in products—such as semi-conductors—which would earn a relatively quick cash pay-back on investment. The result was a rapid build-up of liquid assets.

For very different reasons, Nippon Yusen, Japan's biggest shipping company, also responded to the oil crisis by strengthening its liquidity. The company sold off a substantial proportion of its oil tanker fleet and invested the proceeds in property and financial assets which between them now account for 45 per cent of the group's gross assets.

Yet internal cash flow is only half the story. In the late 1970s, many Japanese companies discovered the merits of a more aggressive approach to liability management. The replacement of bank debt with equity or interest-bearing securities had at least two material advantages.

First, it reduced the short-term cost of capital—not least because of the very low yield base of the Tokyo stock market—and it diluted the equity position of the banks.

In the past five years, JVC has built up its liquid assets from ¥50bn to ¥140bn. Internal cash flow has played a part in that increase but, of the ¥90bn rise, no less than ¥68bn is accounted for by sorties to the capital markets. For a cash-rich industrial company to raise funds simply for the purpose of redepositing them in other financial markets would seem a strange way to carry on in London or New York. But no such stigma attaches to this practice in Tokyo.

Indeed, borrowing in one market and lending out in another can be a very profitable business. Nippon Yusen is probably as sophisticated as any Japanese company in the field of zaiteku. It has two subsidiary companies, one in London and the other in Tokyo, specifically dedicated to treasury management. Mr Yoshikazu Ishikawa, the general manager of the financing division says that his dream is to create something resembling a London merchant bank. Kleinwort Benson is apparently the model.

The company has already made a fair start. Last August Nippon Yusen used its AA+ rating in the U.S. debt markets to raise \$50m of fixed-rate debt. It then swapped the proceeds into yen at an interest rate almost a full point below the Japanese long-term prime rate and reinvested the proceeds in yen financial assets offering yields at or above long-term prime.

Emboldened by the success of this manoeuvre the group borrowed another \$50m fixed-rate in January of this year, swapped it for floating rate debt and then reinvested the cash in floating rates notes of an identical maturity. This operation produced a running arbitrage profit of 80 basis points, equivalent to \$2.8m in nominal terms over the life of the seven-year loan.

Some Japanese companies have been rather more adventurous, borrowing in the Swiss franc convertible bond market at 2½ per cent and reinvesting in the U.S. Treasury bill market at 10½ per cent. But Nippon Yusen's two fund-raising operations entailed no material currency or credit risk.

The profit arose from anomalies in Japan's domestic markets. In the first case Japanese banks, in their eagerness to lend hedged yen, shouldered a credit risk by passing on Nippon Yusen's dollar bonds proceeds to a counterparty with a lower credit rating. The counterparty paid more for the dollars, giving the banks room to lend the Japanese company cheap yen.

In the second case, Nippon Yusen exploited a loophole by which Japanese life insurance companies can avoid foreign exchange restrictions by buying dollar securities issued by Japanese companies. By selling the dollar bonds to the life insurance industry at home, Nippon Yusen secured funds at a very low cost.

Nippon Yusen regards zaiteku as a source of stable earnings to balance its volatile shipping profits. It aims for a yield of 7 per cent to 8 per cent on its financial assets.

Nippon Yusen, Hitachi and JVC all emphasise that their financial assets are invested in a conservative fashion, mostly in yen bonds. None of them sees zaiteku as more than an adjunct to the basic business of manufacturing VTR's or transporting freight. But, for the moment, it is more profitable than either.

This announcement appears as a matter of record only.
The Notes were offered and sold outside the United States of America.**The Kingdom of Denmark****U.S. \$100,000,000****11⅞% Notes Due April 1990**

Goldman Sachs International Corp.

Algemene Bank Nederland N.V.

Commerzbank Aktiengesellschaft

S. G. Warburg & Co. Ltd.

Bankers Trust International Limited

Banque Bruxelles Lambert S.A.

Banque Indosuez

Banque Internationale à Luxembourg S.A.

Chase Manhattan Capital Markets Group

Crédit Agricole

Credit Suisse First Boston Limited

Daiwa Europe Limited

Enskilda Securities
Svenska Enskilda Limited

First Chicago Limited

Kleinwort, Benson Limited
LTCB International Limited

Kreditbank S.A. Luxembourgise

Mitsubishi Finance International Limited

Mitsubishi Trust & Banking Corporation (Europe) S.A.

Mitsui Finance International Limited

Morgan Stanley International

The Nikko Securities Co., (Europe) Ltd.

Orion Royal Bank Limited

PK Christiania Bank (UK) Limited

N. M. Rothschild & Sons Limited

Svenska Handelsbanken Group

Yamaichi International (Europe) Limited

Privatbanken A/S

Copenhagen Handelsbank A/S

Den Danske Bank
af 1871 Aktieselskab

April, 1985

This announcement appears as a matter of record only.
The Notes were offered and sold outside the United States of America.**The Kingdom of Denmark****U.S. \$250,000,000****Floating Rate Notes Due May 1995**

Goldman Sachs International Corp.

CIBC Limited

Citicorp International Bank Limited

First Interstate Limited

Mitsubishi Trust & Banking Corporation (Europe) S.A.

Morgan Stanley International

Arab Banking Corporation (ABC)

Banca Commerciale Italiana

Banco di Roma

Banque Bruxelles Lambert S.A.

Banque Indosuez

Banque Internationale à Luxembourg S.A.

Crédit Lyonnais

Daiwa Europe Limited

Den norske Creditbank

Deutsche Bank Aktiengesellschaft

Enskilda Securities
Svenska Enskilda Limited

First Chicago Limited

IBJ International Limited

Kansallis-Osake-Pankki

Kleinwort, Benson Limited

Kreditbank S.A. Luxembourgise

LTCB International Limited

Merrill Lynch Capital Markets

Mitsubishi Finance International Limited

Mitsui Finance International Limited

Mitsui Trust Bank (Europe) S.A.

The Nikko Securities Co., (Europe) Ltd.

Nomura International Limited

Orion Royal Bank Limited

PK Christiania Bank (UK) Limited

Postipankki

Svenska Handelsbanken Group

Yamaichi International (Europe) Limited

Privatbanken A/S

Copenhagen Handelsbank A/S

Den Danske Bank
af 1871 Aktieselskab

March, 1985

ANCE
Zantaku
market

UK COMPANY NEWS

Guinness ahead of market expectations with £37m

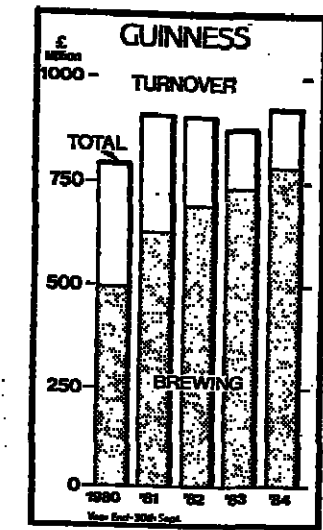
THE DEVELOPMENT programme initiated last year has resulted in substantial benefits for Guinness, formerly Arthur Guinness and Sons, with pre-tax profits rising by 20 per cent from £30.9m to £37.2m during the first half to end-March 1985.

This result is better than the £34.5m to £35.5m market expectation, and Mr Ernest Saunders, chief executive, commenting on the results, says that Guinness, which is involved in brewing, retailing and publishing, has established as a "dynamic consumer products and services company."

The interim dividend is lifted from 1.5p to 2p net. Last year a total of 6.44p was paid on profits of £70.4m (£58.8m). Stated earnings this time are shown higher at 11.2p (8.6p).

The group has the twin strategies of "profits for today" by continuous improvement in its established businesses, and "growth for tomorrow" by investment in growth sectors and by management in depth, Mr Saunders says.

Within these aims it has concentrated during the six months on improving the profitability of the Guinness brand, acquired last June, towards the industry's best level enjoyed by the group's existing Lavalis chain. The group is on target to meet that objective, he says, and as a result the trading profit of its retailing and other activities rose from



£18m to £26.7m. He adds that retailing is an area of major growth. In its traditional home markets the group is continuing a marketing thrust to re-vitalise the Guinness brand. Draught Guinness volume sales in Britain and Ireland continued to improve during the first half. Brewing margins overall have improved, with trading profits in this area up by 15 per cent to £31.1m.

In the U.S. the Guinness Import Company continues to out-perform its sector, Mr Saunders says, and the growth rate in Germany has accelerated. The results this time include acquisitions made after the end of the last financial year. They include Martins, Champneys, Natures Best Health Products, Richter Brothers, and Neighborhood Stores, and indications are that they will substantially contribute to the group's future growth and development. Turnover and pre-tax profits relating to these companies amounted to £31m and £3.5m respectively.

Total group turnover was up from £488.3m to £562.6m, with the UK contributing £366.3m (£177m), Ireland £162.5m (£109m), and overseas £133.8m (£102.5m). Pre-tax profits were divided as to the UK £14.9m (£8.9m), Ireland £12.7m (£12.7m), and overseas £11.4m (£12.7m). Central finance charges took £4.8m (£2m).

Exceptional costs of £2m again represent provisions for rationalisation in continuing brewing activities. Related companies added a same again £7m to taxable profits, and there were net finance charges of £5.6m (£3.6m).

After a tax charge of £11.8m (£10.8m) and minorities of £2.2m (£2.1m), attributable profit emerged at £22.2m (£17m). See Lex

Independence or Liberty?

Martin Dickson in London and Jim Jones in Johannesburg on the bid for Capital & Counties

THE TAKEOVER bid launched yesterday by an offshoot of Liberty Life Association for Capital and Counties involves one of South Africa's leading and innovative life offices and one of Britain's top 10 property companies.

On paper at least, such a bid should generate considerable excitement. But Mr Donald Gordon, chairman of Liberty, was keen yesterday to play down the significance of the move.

It was, he insisted, a technical bid which the Liberty's 75 per cent owned subsidiary, Transatlantic Insurance Holdings, had been obliged to make under Britain's takeover code, which insists that a company make a full offer for another when its stake in it reaches 30 per cent.

Transatlantic, which already held a 28.7 per cent stake in Capital and Counties, was offered a block of shares by the British Rail Pension Fund, representing about 4.8 per cent of Capital's equity, which it was keen to buy back at a price of 225p a share. That took it above 30 per cent, automatically triggering a bid at the same price.

"It is not a bid designed to take control," said Mr Gordon yesterday. "We are perfectly happy to stay at 34.5 per cent, but legal control is acquired at 25.5p that is acceptable to us." He added that Transatlantic would be keen to maintain Capital's listing, with perhaps up to 40 per cent of its shares remaining in public hands.

But at least some City analysts were yesterday speculating that it was possible Mr Gordon might want to build up Capital as a quoted UK investment vehicle, possibly as a prelude to greater involvement in Sun Life Assurance, the large UK insurance group in which Transatlantic has a 25 per cent stake.

However, Mr Gordon said yesterday Liberty was considering the public flotation of Transatlantic in London as an investment.

building but a good advance on the investment side, through rent reviews and new lettings.

The group's particular attraction to the City is its major role in retail property, which accounts for about half its portfolio against an average weighting for the sector of about 25 per cent. It is best known for its big retail centres in Nottingham (the Victoria Centre) and in Newcastle, and it has a large stake in a recently completed centre in Wakefield. Its major project under construction is a 380,000 sq ft shopping centre at Hatfield, Stoke on Trent, due for completion in 1988, and it is also a contender for a major 1m sq ft centre in West Thurrock.

As for Liberty Life, in the 28 years since it was founded by Mr Gordon, it has grown into South Africa's third largest life insurer and has a reputation for being among the most innovative. At the end of 1984 total assets were R4,220m while last year's premium income was R510m and net profit R44.9m.

Size brings its own problems in the limited South African economy. Five major companies, which include Liberty, are estimated to own about 80 per cent of the private sectors industrial and commercial assets. As a result growth opportunities are being sought increasingly abroad, though this is constrained by South Africa's strict foreign exchange controls.

Liberty's overseas ambitions may eventually be channelled through Sun Life of the UK, though this would call for considerable tact and patience. In Johannesburg, in March, Mr Gordon made clear that he had no intention of barging into the London insurance market. He said that though he would be happy to see Liberty and Sun Life working closely together this could only be implemented when it was clear that Sun and Liberty had complementary skills to offer each other.

The 1983-84 figures included an exceptional profit on low sales, so last year's underlying growth was about 14 per cent. Of this, property investment accounted for £12.2m of operating income, against £1.9m for housebuilding and £840,000 for property trading.

This year analysts are looking for taxable profits of just over £11m, with relatively static income from trading and house-

building, of which 29 are in France. The group expects that openings on the continent will proceed faster than in the UK, where expansion will increasingly come from higher turnover at existing outlets.

In addition to the print shops, Printaprint has diversified into two other franchise chains: Fudge Kitchen, specialist sweet shops selling 20 different sorts of fudge, and Poppies, a domestic and office cleaning service.

In the past five years Printaprint has increased profits from £150,000 in 1981 to £204,000 in the year to March 1985, after having made a small loss in 1982. The company says that this was related to an unsuccessful experiment, subsequently discontinued, of opening Printaprint shops in Ryman stores.

Based upon the placing price, the shares are on a historic price/earnings multiple of 25 after a tax charge of 44 per cent. The directors expect that the first dividend will be paid in January 1986. On a forecast dividend of 1.8p for the year, the yield at the placing price is 1.9 per cent.

Dealings are expected to start on June 17.

Urban renewal boosts Regalian

A MARKED INCREASE in its urban renewal activities has helped Regalian Properties to a record £2.23m pre-tax for the year to end-March 1985, compared with £765,440 achieved in 1984.

At the halfway stage this holding company, which develops and deals in property, had already topped last year's profits, with £2,232,222 (£430,160) achieved.

The total dividend for the year is being raised by 30 per cent to 3.25p (2.5p) with a final of 2.4p (1.75p). Stated net earnings are shown higher at 14.1p (8.6p).

The directors say that the successful completion of the Battersea Village project has placed the company in a leading position in the specialist urban renewal field, and several such schemes are currently at an advanced stage.

Local authorities are recognising the role which the private sector can play in the regeneration of inner city areas, particularly in respect of those properties which have not proved to be wholly suitable for public sector housing, such as high-rise estates.

The company expects strong growth in this area, with more properties being offered for renewal and sale to the private sector.

The group's results were achieved on turnover up by 132 per cent, from £4.88m to £10.88m, generating a gross profit of £3.56m (£1.35m).

Regalian is enjoying some unrepeatable returns on West End properties bought from Mr Goldstone's private company. But the reason for the share price's impressive rise in recent months

has little to do with desirable Mayfair addresses. The story at Regalian is about urban renewal — very fashionable but in a different sense to Mayfair. The highly acclaimed Battersea Village Project has landed Regalian a client kudos to open planners' doors on other projects. Success is breeding success and while the competition will undoubtedly increase, this company has the learning curve behind it and can talk confidently of over £100m of turnover already on its books to be spread over the next four to five years and compound profit growth rate of at least 25 per cent over the same period. So by 1988-89 pre-tax profits could be £51m and probably more. Despite the record performance, the share price of 154p still seems to be looking firmly into the rear view mirror — even then, a p/e of 10 surely appears inexpensive.

See Lex

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USM placing for Printaprint

BY LUCY KELLAWAY

Printaprint, the franchisor of high-speed print shops, is coming to the USM with a market value of £10.1m. Equity Finance Trust and Scrimgeour Vickers are placing 2.2m shares at 153p each, raising £3.37m before expenses, of which £1.5m will be new money for the company.

The 138p placing price relates to a 10p ordinary share at 137p in Printaprint Holdings, the Jersey-based holding company, and a 1p "B" ordinary share in Printaprint plc. Unless they specify otherwise, UK shareholders will receive a dividend of the "B" share and not on the ordinary shares in the company, which will mean that they are not affected adversely by Jersey's tax system. The "B" shares do not have a vote, and both classes must be bought or sold together.

The first Printaprint shop was opened in 1971, since when the number of outlets has grown to 281. It is now the largest print chain in Europe, with 62 units overseas of which 29 are in France. The group expects that openings on the continent will proceed faster than in the UK, where expansion will increasingly come from higher turnover at existing outlets.

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"Another year of successful growth by the Argyll Group."



Over next two years, major changes to corporate trading identities, physical distribution and store systems to take place with Presto being established as the principal retail trading identity.

Presto's turnover and operating profit to benefit significantly from programme of major change which will enable continued progress in net margin improvement over the next three years. Future cost of change being charged as extraordinary item.

Food division profit up 36% to \$44.2 million on 16% turnover increase, with net margin now over 3%.

Excellent turnover and profit growth by Presto which will open 20 Food Markets this year totalling 374,000 sq. ft. of additional sales area, an increase of 16 per cent.

Particularly encouraging performance by Lo-Cost and strong first profit contribution from Amos Hinton, now fully integrated, of \$2.4 million for six months.

Drink division profit up 8% to \$13.1 million on 14% turnover increase. In the U.S., over two fifths of Barton Brands' profits now generated from sale of imported wines and beers.

Good start to current year by food division with turnover in line with expectation and pleasing volume growth.

Steady progress in developing broadly-based drink business.

Confidence in future prospects.

RESULTS			
£ million	Year to	Year to	Increase
	30 March 1985	31 March 1984	
Turnover	1,755.6	1,515.6	16%
Operating Profit	57.3	44.7	28%
Profit before tax	53.1	40.1	33%
Taxation	(13.3)	(6.0)	—
Extraordinary Item	(11.5)	(3.5)	—
Earnings per share			
- actual tax	20.0p	17.6p	14%
- 35% tax	17.3p	13.4p	29%
Dividend per share - net	6.25p	5.0p	25%

Copies of the Company's preliminary statement can be obtained from the Secretary, Argyll Group PLC, Argyll House, Millington Road, Hayes, Middx. UB8 4AY.

ARGYLL GROUP PLC

US\$100,000,000 Guaranteed Floating Rate Notes due 1994

Citicorp Overseas Finance Corporation N.V.

(Incorporated with limited liability in the Netherlands Antilles)

Unconditionally guaranteed by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 8 1/4% and that the interest payable on the relevant Interest Payment Date, September 12, 1985, against Coupon No. 26 in respect of US\$1,000 nominal of the Notes will be US\$20.60.

June 12, 1985, London

By: Citibank, N.A. (CSSI Dept.), Agent Bank

CITIBANK

The Warrants described in this advertisement arise from an issue to the Shareholders of the Company and accordingly this advertisement should not be construed as an invitation to subscribe for Warrants or Ordinary Shares of Clive Discount Holdings PLC

Clive Discount Holdings PLC

(Incorporated under the Companies Act 1929)
(registered in England No. 426363)

Issue of 2,390,887 Warrants having rights to subscribe for 2,390,887 Ordinary Shares of 20p each of the Company

Particulars of the Warrants will be available in the statistical services of Extel Statistical Services Limited and copies of these particulars may also be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 26th June 1985 from:-

Clive Discount Holdings PLC
1 Royal Exchange Avenue
London EC3V 3LU
12th June 1985

Kleinwort, Benson Limited
20 Fenchurch Street
London EC3P 3DB

Hoare Govett Ltd
319/325 High Holborn
London WC1V 7PB

IPNA N.V.

NOTICE IS HEREBY GIVEN that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of the holders of depositary receipts of Indosuez and Partners Properties in North America (IPNA) N.V., will be held on June 28th 1985, at the office of the Stichting in Amsterdam, Herengracht 320 at 11.15 a.m. in order to review the annual accounts of Indosuez 320 at 10 a.m. in order to review the annual accounts of Indosuez and Partners Properties in North America (IPNA) N.V.

Notice that in accordance with Article 9 of the Conditions of Administration, holders of depositary receipts or their representatives are not allowed admission to the meeting unless they have deposited their certificates at the office of the Stichting at least three days prior to the meeting, or unless they have so deposited with the Stichting a statement from a bank that such certificate will be held in its custody until the end of the meeting.

Notice that the agenda of the meeting and the annual accounts 1984 have been deposited at the offices of the Stichting at the aforementioned address and a copy thereof will be sent upon request to any holder of depositary receipts.

Stichting Indosuez Trust Services

IPNA 2 N.V.

NOTICE IS HEREBY GIVEN that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of the holders of depositary receipts of IPNA 2 N.V., will be held on June 28th 1985, at the office of the Stichting in Amsterdam, Herengracht 320 at 11.15 a.m. in order to review the annual accounts of IPNA 2 N.V.

Notice that in accordance with Article 9 of the Conditions of Administration, holders of depositary receipts or their representatives are not allowed admission to the meeting unless they have deposited their certificates at the office of the Stichting at least three days prior to the meeting, or unless they have so deposited with the Stichting a statement from a bank that such certificate will be held in its custody until the end of the meeting.

Notice that the agenda of the meeting and the annual accounts 1984 have been deposited at the offices of the Stichting at the aforementioned address and a copy thereof will be sent upon request to any holder of depositary receipts.

Stichting IPNA 2 Trust Services

UK COMPANY NEWS

Metal Box fall less than expected

THE CITY, braced for a downturn at Metal Box, was relieved with yesterday's figures showing 1984-85 profits down by only £2m and the company's shares closed 30p higher on the day at 433p.

At the pre-tax level profits for the 12 months to end-March fell from £70.1m to £68.1m on a turnover down by £13.3m to £1.13bn.

However, the group's results were affected by a major reconstruction in South Africa in 1983-84 and by the decision to deconsolidate Nigerian operations from April 1984.

To show the effects of these changes the directors have produced a proforma results showing 1983-84 profits at £56.3m and turnover at £1.05bn.

For 1983-84 the Nigerian operations returned pre-tax profits of £9.6m but over the following 12 months they ran up losses of £8.6m.

The actions already taken, and further actions in hand to improve profitability, are expected to result in opportunities for further improvements later in the year.

Meanwhile, a final dividend of 11.5p (8.19p) lifts the total from 15p to 26.69p per £1 share. Earnings per share for 1984-85 improved by 10.2p to 68.9p, partly due to the decision to deconsolidate.

Engineering, central heating and most of the group's packaging operations in the UK showed a better overall performance.

The increased dividend is a result of the improved earnings and the continuing strength of

the business. Group trading profits were little changed at £91.9m (£92.2m), and were subject to net interest charges of £23.8m (£22.1m). Associates added £7.6m (£6m).

Tax accounted for £14.6m (£15.3m) and minorities for £1.3m (£1.4m).

Below the line extraordinary debits accounted for £24.2m (£0.1m) and left the profit for the year £16.3m behind at £28m. The extraordinary items comprised a £9.4m (nil) provision against Nigerian subsidiaries, £18.3m (£23.1m) for reorganisation, including redundancy, and other credits of £2.5m (£2.8m).

After dividend payments the group retained £14.9m, compared with a previous £32.9m.

The results of the two Nigerian subsidiaries, Metal Box Nigeria and Metal Box Togo, have been excluded from the group's consolidated figures with effect from April 1, 1984.

The directors say that in their opinion the continuing import restrictions applied by the Nigerian administration have had a severe effect on the businesses that the group's control over the subsidiaries' assets and operations is significantly impaired for the foreseeable future.

The 1983-84 comparative results include Metal Box South Africa as a subsidiary for the first six months. The directors point out that the restructuring implemented in October 1983 in effect converted the group's interests into two related com-

panies. The Italian and Greek packaging subsidiaries have changed their accounting year-ends and as a consequence the group's 1984-85 results include an additional quarter's figures which increased turnover by £22.3m, reduced trading profits by £0.8m and increased interest payable by £1.9m.

Mr D. I. Allport, the retiring chairman, tells shareholders that during the past few years considerable progress has been made in reshaping the company, raising its productivity, enhancing its productive capability, strengthening its financing and

improving the quality of its earnings. He says this process of repositioning and streamlining the company will continue as the directors adapt further to the necessities of the competitive environment in which the group operates.

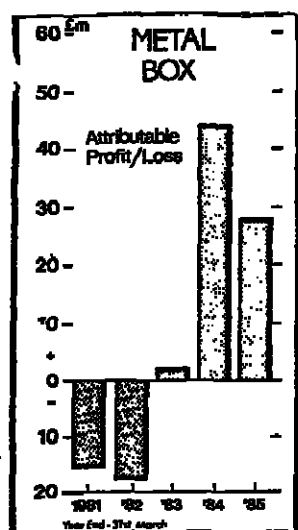
The chairman comments that following a search in the U.S. for acquisitions with a solid base and wide geographical coverage, which would provide profitable growth in markets to which Metal Box is committed, using familiar technology, the directors were successful last April in acquiring Clarke Checks for US\$40m.

Clarke is well-managed, profitable and favourably positioned in the cheque printing business in the Southern States and "strengthens very substantially" the group's micrographics business in California. Since the end of last year the group's cheque printing business has been augmented further by the acquisition of Chek Print in Seattle.

Mr Allport said he believed Metal Box's strength lay in its micrographics business which are predominantly in packaging. "That is the area where I believe our greatest strength lies and also our best opportunities lie."

Asked if he thought the reshaping of Metal Box over the last few years had made the group less vulnerable to a predator Mr Allport replied that a bid was "not something I would welcome, that is for sure."

See Lex



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See Lex

Aitken up 78% thanks to U.S. buy

BOOSTED significantly by a first full-year contribution from National Securities and Research Corporation, pre-tax profits at Aitken Hume International rose by 78 per cent in the year to March 31 1985.

NSRC was acquired in March 1984, and supplied more than half of the group's pre-tax profits of £6.78m for the year under review. This compared with a result of £3.8m in the previous year.

Mr Jonathan Aitken, chairman of the group which recently made an abortive attempt to merge with newspaper concern Fleet Holdings, considers that Aitken Hume—an investment management and financial services group—has achieved a strong base from which to build its financial activities in the UK and North America.

He adds that under the present management the group has now completed a five-year period of continued growth from a 1981 net profit of £1.6m to £6.78m, a rise of 320 per cent. The directors have recommended a final dividend of 4.75p per share, a rise of 0.75p, for a total of 7p (6p). The dividend will account for £2.25m (£1.44m).

Gross revenue rose by more than £18m to £30.48m, and produced operating profits of £8.74m (£4.4m). Interest payable, excluding that of the banking division, was marginally higher at £1.96m (£602,000).

Investment management in the U.S. was the largest contributor to the taxable outcome, adding £4.15m, and dwarfing the performance from similar activities in the UK which made only £777,000. Mr Aitken says that the domestic division has continued to develop its product range with two new unit trusts.

The chairman says that the NSRC result was excellent, with pre-tax profits of U.S.\$5m (£3.95m). The result reflected strong growth in existing mutual funds as well as the introduction of two new funds. One of these, the National Securities Federal Trust, attracted more than £200m in its first six months of operation. Pension fund management in the U.S. experienced difficult trading conditions, but there are now signs of an improvement.

comment Only now does the true value of Aitken Hume's 1983 acquisition of the U.S. fund manager National Securities and Research Corporation becomes apparent. Funded with an unpopular three-for-two rights issue, the New York business is more than pulling its weight, contributing 61 per cent of group profits. Indeed, its contribution has compensated for a sharp fall in UK fund management profits—hit by the poor performance of U.S. and Japanese high technology funds—and a smaller decline in banking profits, which have been trimmed by tighter accounting treatment of leasing deals. The group plan now is to revive the UK fund management business with new funds, new staff and a marketing drive to create a broadly-based business; corporate finance which generated some spectacular successes (and failures) in the past is no longer at the heart of things at Aitken Hume. The aim is for steady growth—say 15 to 20 per cent a year increases in earnings per share—to give shareholders a return on the asset base which has been so rapidly built. The City has yet to be convinced that the company is the patient, pricing the shares, up 6p to 185p, on a p/e of 6, at a substantial discount to other fund managers.

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Food profit growth helps Argyll advance to £53m

WITH THE bulk of growth coming from the food side, Argyll Group, food and drink retailer, lifted pre-tax profits by 33 per cent from £40.01m to £53.12m for the year to March 31 1985, on turnover, excluding VAT, up 16 per cent at £1.05bn, against £1.46bn.

The result was slightly better than market estimates of £52m and the shares rose 7p on the news and later closed 12p higher at 330p.

Operating profits climbed by 28 per cent from £44.72m to £57.26m, of which food accounted for £44.19m (£32.58m) and drink £13.07m (£12.14m). Earnings per share allowing for the actual tax charge of £13.31m (£6.01m) were 20p (17.6p) and 17.3p (13.4p) on a net asset of £1.44m for the year. The final dividend is raised by 0.9p to 4.15p net for an increased total payment of 6.25p (5p).

Extraordinary charges amounted to £11.5m (£3.54m) and comprised £10.06m for the future costs of the restructuring of physical distribution and retail trading identities, less tax relief, and £1.44m for the costs of reducing investment in Scotch whisky production.

Mr James Gulliver, the chairman, says the food division made a good start to the current year with sales in line with expectation and a pleasing volume growth performance. This year the target of 20 pre-tax food market openings representing 374,000 sq ft of new sales area and, with other retail activities, a total new sales area in excess of 400,000 sq ft.

This new store opening programme is heavily weighted towards the end of the financial year. It will, taken with the on-going store development programme and store identity initiative, result in a major

increase in Presto's national representation over the next few years, the chairman states. In the 1984-85 year, Presto increased its turnover by 18 per cent to £718.6m and pre-tax profits by 33 per cent to £20.15m—its net margin rose from 2.4 per cent to 2.8 per cent. During the period Presto has continued its own label development with major frozen food, provisions, and wines and spirits product launches, achieving almost a 50 per cent increase in own label sales.

Own label products, including Basics generic products, now account for 24 per cent of Presto's packaged grocery sales. It is planned to raise this proportion to over 30 per cent in the next two years.

The drink division has traded well under difficult conditions. But Mr Gulliver says this year will not be any easier with uncertainty over the likely effect of next October's 20 per cent increase in federal excise tax in the U.S.

The company is making steady progress in its aim to develop a broadly-based drink business and is achieving an attractive return on a tightly managed capital base with currently only a nominal capital.

Mr Gulliver says its objective is to build a growing portfolio of owned and agency brands, in the UK, the U.S. and other world markets. This, he says, will be achieved through both internal growth and where possible acquisition.

The expansion of its off-licence stores, which including retail activities, now total almost 1,000 stores, provides substantial opportunities for the introduction and development of brands in the growing UK take-home drinks sector.

The company will continue to pursue all opportunities for

internal growth and for growth by acquisition both in the UK and the U.S., and the chairman is confident about group prospects.

Argyll has begun the second phase of its longer-term plan to bring the net margin of its food division into line with best industry standards (Argyll's net food margin rose from 2.6 per cent to 3.03 per cent in 1984-85).

The efficiencies expected within the next three years, as a result of the programme of change, will benefit significantly Presto's turnover and operating profit, as well as its working capital ratio. In addition to improving net operating margins, a material reduction in stock-holding at store level, in excess of half of one week's stock—a fall of at least £10m—will also be achieved over the next three years.

The implementation of this programme will involve some considerable one-off costs in terms of both capital and revenue. The principal capital relates to the new regional distribution centres—where £8m was spent last year and a further £10m will be spent over the next two years—and the new retail identity programme which will involve capital expenditure estimated at £5m.

There will also be fixed asset write-offs associated with the closure of a number of small distribution depots to be replaced by the new regional centres, and with store conversions and closures. Revenue costs will include mainly the transitional costs to be incurred for moving to existing distribution basis to the new one.

Total fixed asset write-offs is expected to be £10.1m after tax, of which just over half will be incurred in the current financial year and the balance next year.

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Enlarged EMAP surges to record £7.7m.

EXPANSION-MINDED East Midlands Allied Press, the provincial newspaper and magazine group, made further strong headway over the second six months to finish the 1984-85 year £2.42m ahead at the pre-tax level.

The figures, up from a restated £5.3m to a record £7.7m, were achieved from a turnover of £95.64m, compared with £71.75m.

The magazine division increased its contribution by 68 per cent to £5.8m while the newspaper sector, following an excellent year, showed an improvement of 57 per cent at £2m.

The final dividend is being stepped up from 1.5p to 2.06p for a 0.73p higher total of 3p net per 26p share.

During the year the group was expanded in every major activity and the directors are confident

this expansion will continue. Mr Frank Rogers, the chairman, tells shareholders that the acquisition of MacLaren Publishers last October was by far the most important addition to the group's business that has been made.

In addition EMAP acquired the Grantham Journal, a weekly newspaper adjacent to the circulation area in East Anglia which it dominates.

The group's magazine activities now comprise 70 titles, related exhibitions and electronic publishing. Turnover of the division for the past year, to March 30 1985 rose by 43 per cent to £43.3m.

Mr Rogers says MacLaren Publishers owned 14 publications, all in areas where EMAP had no previous market presence, plus 10 exhibitions and con-

ferences. He points out that the results achieved by the company since acquisition were better than anticipated and resulted in the maximum ceiling of £10m on the purchase price. Group tax for 1984-85 took £3.27m (£1.88m) and extraordinary items (deferred tax) £2.5m (£1.01m). Earnings per share amounted to 7.3p (3.7p).

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business and computer publications tripled profits, even after a higher incidence of bad debts from some of the smaller home computer companies. EMAP's success in tapping the teenage market has taken the combined circulation of its magazines to 2.6m, a base from which it will expand mainly by more launches, although it is currently holding talks that could add a few more titles by acquisition to its portfolio. Profits of more than £10m look within reach for the current year, which after a 40 per cent tax rate puts the shares, up 6p to 185p, on a p/e of 13. The price has risen sharply on takeover hopes in the last few months, but as hopes subside the company's trading record alone justifies the premium of the sector.

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'In the improving market conditions we have achieved significant growth in all areas'

reports Derek Newton, Chairman

Our Results in 1984/85

Our overall results represent a very encouraging performance with another set of record figures.

Looking to the Future

Present market conditions require the ability to respond rapidly to take advantage of the opportunities. The quality of our staff and management team will ensure further successful growth.

Copies of the Report and Accounts for the year to 31 March 1985 can be obtained from The Secretary, C.E. Heath Public Limited Company, Culbrett Heath House, 150 Minorities, London EC3N 1NR.

C.E. Heath
Public Limited Company
INTERNATIONAL INSURANCE BROKERS, REINSURANCE
BROKERS AND UNDERWRITING AGENTS

Operating profit up 38% to £32.6m

Net dividend up 23.5% to 21.0p

Brokerage up from £29.2m to £33.5m

Earnings per share up 65% to 61p

Granville & Co. Limited

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Over-the-Counter Market

High	Low	Company	Price	Change	Gross Yield	P/E	Fully
148	125	Ass. Int. Ind. Ord.	150	—	10.0	8.8	8.1
181	136	Ass. Brit. Ind. CULS	150	—	10.0	8.8	8.1
77	51	Airpump Group	52	—	6.4	12.3	8.8
42	25	Armstrong and Rhoads	37	—	3.4	12.2	15.8
125	105	Barton Hill	105	—	3.4	12.2	15.8
59	42	Bay Technologies	59	—	3.9	9.8	7.2
201	161	CCL Ordinary	163	—	12.0	7.4	4.0
132	105	CCL Vipe Corp. Pri.	105	—	12.0	7.4	4.0
122	105	Carborundum Ord.	122	—	4.9	4.0	6.0
88	83	Carborundum 7.5pc Pri.	83	—	10.7	12.9	—
12	48	Debonair Service	68	—	6.5	14.1	4.4
332	182	Frank Horrell	332	—	—	—	—
268	170	Frank Horrell Pr.Ord.	268	—	9.8	3.6	10.8
12	25	Federick Park Homes	25	—	—	—	—
60	33	Georgia Blair	60	—	—	—	—
90	20	Ind. Precision Castings	26	—	2.7	10.4	7.1
218	180	Ind. Group	180	—	—	—	—
124	101	Jackson Group	108	—	5.5	8.1	7.2
285	213	James Burroughs	230	—	13.7	6.0	8.2
30	17	Unilever Holdings	30	—	1.3	4.3	14.8
94	71	John Howard and Co.	94	—	5.0	5.3	7.5
225	100	Linguaphone Ord.	224	—	15.0	—	—
100	52	Linguaphone 10pc Pri.	52	—	15.0	—	—
650	300	Minibus Holding	628	—	6.9	1.1	27.4
120	31	Robert Jenkins	84	—	5.0	7.8	—
218	180	Ind. Group	180	—	—	—	—
92	61	Torrey and Carlisle	75	—	6.0	6.7	1.8
444	330	Trevelyan Holdings	330	—	4.3	1.3	18.8
30	17	Unilever Holdings	30	—	1.3	4.3	14.8
104	61	Walter Alexander	104	—	7.5	7.2	10.3
247	218	W. S. Yeates	230	—	17.4	7.8	6.5

Prices and details of services now available on Prestel, page 48146

Clement Clarke (Holdings) plc.

Registered Opticians
Designers and Manufacturers of Ophthalmic, Medical, Surgical and Aircraft Instruments and Equipment.

Mr. J. H. Clarke, Chairman and Managing Director, reports on 1984:

- Group Sales £18,978,000 (1983: £17,557,000).
- Group Profit before tax £1,294,000 (1983: £2,151,000).
- Final Dividend 11.55p, making 17.33% (1983: 16.25%) for the year.

The year ahead: With the transfer of a large proportion of optical sales from the N.H.S. to the private sector from April, we expect better gross margins on turnover. The manufacturing subsidiaries are maintaining their healthy order books.

Autopistas del Atlantico

Concesionaria Espanola S.A.

US\$115,000,000

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In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the first Interest Period has been fixed at 7 1/2 per cent per annum. The Coupon Amounts will be US\$400.31 in respect of the US\$1,000.00 denomination and US\$10,007.81 in respect of the US\$250,000.00 denomination and will be payable on 11th December, 1985 against surrender of Coupon No. 1.

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FINANCIAL TIMES SURVEY

Wednesday June 12 1985

WALES



Photographs by Roger Taylor

BUSINESS AND TOURISM CENTRE SET UP

WITH the opening of the Wales Centre in Piccadilly today by Mr Nicholas Edwards, Secretary of State for Wales (above), the Welsh have achieved an ambition that goes back 15 years.

They have watched with a mixture of envy and admiration the success of Scotland, whose prestige suite of offices just off Trafalgar Square, fronted at street level by an eye-catching showroom, has acted as a Mecca for visitors.

As far back as 1970 an attempt was made—following a Wales in London Week—to find premises in the centre of London that could act as a focal point for the country's industry, commerce and tourism. That and other attempts failed.

Today Wales has a centre at 34 Piccadilly that can stand comparison with the best.

The Wales Centre is next to the Piccadilly Hotel, being given a facelift, and opposite St James, one of London's historic churches.

Near neighbours include Simpsons, Fortnum & Mason, Harcourt's, Eros, when it returns, will be just 100 yards away, presiding over Piccadilly Circus.

The centre is essentially about tourism and attracting holidaymakers to Wales, especially from overseas. But it is also a meeting place for industry and commerce.

The Welsh Development Agency and Mid-Wales Development, which looks after the economic affairs of rural mid-Wales, have joined the Wales Tourist Board in launching the centre. For the first time there will be one outlet in the heart of London to promote the whole of Wales.

Anthony Moreton

MR NICHOLAS EDWARDS, the Secretary of State for Wales, was in slightly less than his usual ebullient mood when he opened a recent Commons Welsh Grand Committee debate on the Welsh Economy.

BP had just announced the shutdown of oil refining at its Llandarcy refinery in Swansea with the loss of 750 jobs and Courtyards the closure of its last two big North Wales sites with the loss of 1,100 jobs.

"Whoever holds my office, whatever government is in power, whatever policies are pursued, there is no escaping the fact that we live in a time of vast technological, economic and industrial change, and that will continue," Mr Edwards told the committee.

However rapid the economic growth we achieve—even if unemployment falls sharply—companies will have to close plants, people will lose their jobs and there will be painful consequences for all involved.

To prove his point more was to come. Last week Lucas Girling announced that up to 800 jobs would go at Cwmbran and Pontypool.

At the same time Mr Edwards was under attack for the Government's failure to secure for Wales a major investment project by LSI Logic, a rising star of California's silicon valley. The company opted at the last minute to go to West Germany, citing lack of clarity in British government policy, though it was delighted with its treatment and the site in Wales.

During his six years of office—the longest of any Welsh Secretary—Mr Edwards has vigorously championed the Government's economic policies. In spite of their severe impact on employment he has argued that lost jobs would be replaced by new ones in modern, expanding industries.

Certainly new sectors of Welsh industry have sprung up or expanded dramatically. Giant strides have been made by long-established manufacturing plant, not least in the still-important steel industry. There have also been marked improve-

Six years of Conservative government have triggered major economic changes and helped capture a quarter of UK inward investment. But in spite of successes, unemployment is set to rise

A long and painful slog

By ROBIN REEVES

ments in industrial infrastructure.

But what was billed in 1979-80 as a short, sharp, shock treatment aimed at making the Welsh economy more efficient and internationally competitive—beginning with 25,000 redundancies in the steel industry in 12 months—has turned into a long, painful slog, in which the growth in the number of people looking for work is continuing.

On the credit side since May 1979, when Mr Edwards took over the Welsh Office reins, 380 manufacturing plants have opened in Wales employing some 17,000 people. They include 55 foreign-owned plants employing 4,500, and an estimated 10,000 jobs in aided steel closure areas.

The biggest single source of foreign investment continues to be the U.S. But with the arrival of the Sharp Corporation and Brother Industries in Wrexham, Wales has been able to maintain its boast of having the UK's largest concentration of Japanese manufacturing plants. Furthermore, although beaten in the competition for the Nissan car project, Wales for the second year running last year won nearly a quarter of the total investment coming into the UK.

The Welsh Development Agency is continuing to fill the large amount of industrial space built as a political response in the early 1980s to the rundown of steel. During 1984-85 a record 1.5m sq ft was occupied, reducing its stock of

unlet premises to 12 per cent of the total portfolio.

The agency is now giving greater prominence to its merchant banking role and investing more than £1m a month through such instruments as its recently-launched Welsh Venture Capital Fund.

Mid Wales Development too has pushed up its lettings total to 200,000 sq ft in 1984-85 as well as playing a pivotal role in securing a major Laura Ashley expansion project.

Latest industrial trends surveys from the Wales CBI also paint a brighter picture. Business optimism among Welsh manufacturers has been on an upward trend since last October.

Demand has improved substantially and the rate of increase is expected to continue.

Growth in output is expected to be the highest since 1979.

Investment intentions have improved, with expansion of capacity rather than just modernisation of plant becoming a significant consideration.

Numbers employed by manufacturing are increasing.

The sharp rise in unit costs is expected to moderate.

Export deliveries and prices have improved considerably, a trend expected to continue.

In spite of rhetoric about cutting public expenditure, gross capital spending under the control of the Welsh Office is running at the same level as in 1979-77, even if within the total there has been a drastic cut in housing expenditure.

Investment in trunk road improvements has been maintained at a high level, with an average of £115m spent in the past three years. This is due to a rise of £126m over the next three years as projects on the drawing board for years are built, such as the A55 expressway across North Wales and the A470 dual-carriageway to Merthyr Tydfil.

A significant amount of private investment is being stimulated by urban development grants. An outlay of £19m towards 28 projects is promising to lever private investment to create total spending of £102m and the creation of 3,500 jobs.

Most prominent is the redevelopment of a significant slice of Cardiff's derelict dockland for housing, business and leisure. The Land Authority for Wales is using its compulsory purchase powers to assemble the land and clean titles so that building can begin shortly.

Many Welsh local authorities are also doing what they can within limited budgets to stimulate new industry.

None of this has been sufficient to dent Wales's historically high level of unemployment, however.

The number out of work stands at 174,400, or 18.4 per cent (seasonally adjusted), compared with 80,000 or 7.3 per cent when the Government came to power. For every vacancy there are now 25 applicants and the number unemployed for more than a year is 73,000, almost as much

as the total unemployed six years ago.

Indications are that this will get appreciably worse. A study by University College, Bangor, Economic Research Unit calculates that in spite of this year's Budget emphasis on job creation, the Welsh jobless level is set to rise to more than 200,000 (above 18 per cent) over the next 18 months.

The Bangor unit estimates the full extent of the current labour slack in the Welsh economy at around 230,000—equivalent to an unemployment rate of 22 per cent.

On the other hand, the unit suggests that given a modest fiscal stimulus to GDP growth, on the basis of the Chancellor of the Exchequer's projections unemployment in Wales could start to fall in 1988.

But not only are there no signs of that happening, the Government in the meantime is pursuing two policy objectives which create difficulties for Wales: it is ending subsidies to the coal industry over the next two years and cutting back regional aid.

Scenarios for the future shape of the Welsh coal industry, in the aftermath of the year-long strike range from the loss of six pits and some 3,000 jobs to the disappearance of at least 15 pits and 13,500 of 20,000 jobs.

Whatever happens, it is clear that any investment in new capacity, such as the proposed new coking coal mine at Margam and in anthracite reserves, will not make up for job losses.

Regional aid, under the reshaped policy announced last November, is due to decline by some £60m a year in Wales by 1987-88—half the present level of aid. Welsh Office officials insist that the new policy still allows Wales to put together a very attractive package, but the general drift of policy is hardly helpful. Nor is the extension of assisted status to the West Midlands.

Indeed, the impact of these changes may have been masked by a rush of corporate investment ahead of last April's capital allowances cut.

Even the best surveys can only give you so much information.



We're not suggesting that the FT has overlooked some of the salient facts. It's just that no-one knows Wales better than we do.

At our headquarters in Cardiff, we have experts familiar with every aspect of Wales and Welsh industry.

While staff at our regional offices offer a fund

of specialised local knowledge. Not forgetting a specialised knowledge of funding.

We can provide companies with imaginative business packages, tailored to individual needs. Including modern factories and a wide choice of green-field sites ideally suited for today's technological industries.

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Wales 2

Blotted out by power of the City

Finance

ANTHONY MORETON

CONSERVATIVE Cabinet ministers are not normally given to rocking financial boats. It was therefore with some surprise that the Welsh financial community heard Mr Nicholas Edwards, the Welsh Secretary, accuse the City of London in March of doing less than it might to encourage investment in Wales and other traditional manufacturing centres.

Since Mr Edwards launched his attack before Cardiff Business Club rather than at some obscure political meeting he achieved maximum impact in Wales and the City.

The Welsh were delighted. They had claimed for years that the lack of a financial nucleus in Cardiff, such as in Edinburgh, was a brake on development of the Welsh economy.

The City was less enchanted. And because the minister — a former Lloyd's underwriter — had coupled his criticism of the City with a specific allegation against a company he was forced to eat his words in public.

In spite of the public retraction, the essence of what Mr Edwards was saying is true. Cardiff has a small financial community because institutions have largely ignored both Wales and the needs of the Welsh economy. In turn, the Welsh economy has suffered because investment and other decisions



The St David's shopping complex and its associated National Concert Hall, opened less than three years ago, have transformed the centre of the Welsh capital and boosted the city's attraction to shoppers throughout South Wales.

have been based on decisions taken elsewhere, usually in London.

Mr Edwards was wrong, however, in the assumption — not made by him but advanced by some supporters — that this was a relatively recent phenomenon.

Wales has never had a strong financial community. When coal was king, and the Cardiff stock market flourished, there was a reasonable financial infrastructure. But those days ended with the Edwardian era and were replaced only in shadow form in the inter-war years.

In the 1980s Cardiff, a weak financial centre, is far weaker

than Edinburgh and not as strong as either Manchester or Birmingham.

Comparisons with Edinburgh are pointless, because Scotland's different history and legal system have created a financial centre that is the envy of many countries, let alone the Welsh.

Cardiff suffers even by comparison with cities such as Bristol, Southampton and Leeds, however, which all have representative offices of the Bank of England. And Manchester and Liverpool each has a thriving and distinct interlocking network of financial markets and institutions.

The failure of Cardiff is partly the fault of Welsh business itself. Mr Nick Thornton, a director of the Commercial Bank of Wales, says that for successful businesses there was a cachet in being able to say that its affairs were being handled in the City.

"It is very difficult, given this attitude, for flowers to flourish in Cardiff's bare soil."

The point is taken up by Mr John Hensman, general manager of the Principality Building

Society, largest of the four in Wales. "Things gravitate to London from Scotland, but they go through Edinburgh instead of by-passing it and much of the business sticks in the Scottish city."

"For a Scot, it is no admission of failure to have one's affairs handled in Edinburgh. Given the nationalistic approach of many Scottish businessmen, it is often more satisfactory for work to remain in the country."

Offshoots

Cardiff is improving, however, and the Secretary of State must take some of the credit for this because he has worked hard.

The Welsh Development Agency, in particular, is setting the pace under Mr John Williams, its relatively new chairman, and Mr David Waterstone, chief executive, in making Wales and Cardiff financially literate.

Over the past 20 years Cardiff has acquired an indigenous bank in the Commercial Bank of Wales, several offshoots of other (such as the U.S.

Chemical Bank and Chartered Trust, part of Standard Chartered Bank), all the leading firms of international accountants, one or two large and internationally-minded firms of solicitors, and various brokers. A small stock market also clings to life.

Lazards has joined the WDA in the Venture Capital Fund and at least three other merchant banks are looking to develop their activities in the Welsh capital. The four main clearing banks have established regional centres in Cardiff and there is an academic pool within the two universities concerned with finance and banking.

This adds up to a less impressive sum than might appear. "What is missing is 'critical mass' — the interlinking of skills required to provide a range of activities," Mr Thornton says. Cardiff has no cross-fertilisation such as in Jersey or Guernsey.

"There have been stirrings recently of indigenous firms of solicitors and some other professions, and these have been joined by the accountants. This is a good thing, but not too much should be made of it yet."

Sir Donald Walters, a director of Chartered Trust, says the problem reflects the narrow base of Welsh industry.

"When steps were taken to broaden the base Wales suffered from the branch-factory syndrome. All the main financial decisions were taken elsewhere, and who needs top-level bankers for less than top-level banking decisions?"

What is needed is variety. The Commercial Bank of Wales has shown what might be done. It has set up a full commercial banking service paying attention to the small and medium-sized business market, including provision of risk capital, technological support and consultancy work on top of conventional banking.

It will create a business centre in its Cardiff headquarters this autumn. This will not turn Cardiff into a financial centre overnight, but it will be another step in that direction.

Rushed deal blocks the seduction of Laura

FIFTEEN DAYS before Christmas last year, Laura Ashley announced it was to open a textiles plant in Newtown, Mid-Wales, and build its administrative headquarters in Carno, a village 11 miles away. The sighs of relief could be heard as far away as Cardiff and London.

For Ashley, desperate to expand capacity as its shop-opening programme raced ahead, had threatened to put the new plant at Helmsdon, near Eindhoven in Holland.

"We looked at Holland, where we already have a very modern plant because we could get no grants from the British Government," said Mr John James, managing director.

"It was an extremely attractive option and the package being offered by the Dutch was so good that we had to treat it seriously."

least 40 more in the near future. Turnover has risen to about £100m, with the company growing at between 20 and 25 per cent a year recently. All this provides a lot of work for the textiles and garments plants.

Following the announcement by the company of its interest in Holland, the Welsh Office hurriedly set into action crisis meetings were held in Cardiff and Carno, with London kept in touch.

The Welsh Office sent Mr Jim Driscoll, a BSC (Industry) man, to sound out the Dutch director to Newtown. Mr Ray Hook, his London counterpart, went to Holland with Mr James and Mr Adam Lofthouse, the company's production director, to see what the Dutch were offering.

The package involved an investment premium and a regional component of the investment account scheme, which would have met some 30 per cent of the cost of the building and 37 per cent of the machinery.

"On top of this the cost of borrowing was much lower," Mr James says. "We would have been paying 7½ per cent against a comparable 11 per cent here."

Officials worked overtime to put together a package to keep the company in Wales. Within a matter of weeks they succeeded.

"No planner in his right mind would have put Laura Ashley in Carno," says Mr Peter Garbett-Edwards, the corporation's development director. "The village has a population of only about 650 people and, in theory, it's not the sort of place to find the headquarters of a world-famous firm."

"But there it is, and we want it to stay. If the company had built up its Dutch operation, it could have started to shift away. That would have been disastrous."

When Laura Ashley first approached Mid-Wales Development in 1983 it could not help. "We had not long lost our development area status, under which automatic grants for new buildings and machinery are paid," Mr Garbett-Edwards says.

"So the company approached the DTI in London about selective assistance. But it got nowhere, apparently because of EEC regulations."

What it got, according to Mr James, was a curt refusal which shocked not only the company but also the Welsh Office, just as anxious not to lose the investment.

Ashley has a vigorous expansion programme. It has 176 shops and intends to open at

least 40 more in the near future. Turnover has risen to about £100m, with the company growing at between 20 and 25 per cent a year recently. All this provides a lot of work for the textiles and garments plants.

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What it got, according to Mr James, was a curt refusal which shocked not only the company but also the Welsh Office, just as anxious not to lose the investment.

Ashley has a vigorous expansion programme. It has 176 shops and intends to open at

least 40 more in the near future. Turnover has risen to about £100m, with the company growing at between 20 and 25 per cent a year recently. All this provides a lot of work for the textiles and garments plants.

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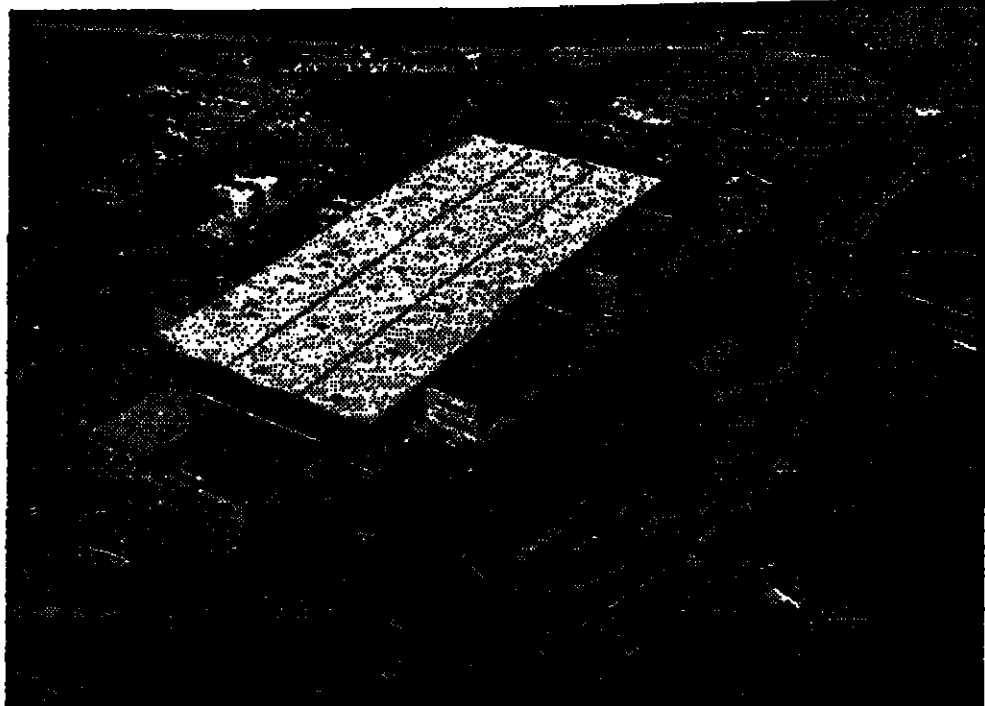
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A recent arrival: Comdial Communications Corporation's major new £13m plant at St Mellons on the outskirts of Cardiff. The highly-automated facility will shortly commence manufacture of advanced telecommunications equipment.

Industry hit by hidden EEC limit on pay-outs

Regional Grant Changes

ONE little-noticed change in regional development grants introduced by the Government last November appears to have had a considerable effect on Wales.

The European Commission insisted that Britain should fall into line with the rest of the Community and not pay a manufacturing project any grant over 40 per cent of the total capital invested.

The Welsh Office did not initially expect the rule to affect a significant number of concerns in the Principality but research carried out at the Polytechnic of Wales indicates that almost every scheme submitted for approval between last November and April 1985 was hit.

As Wales has higher-than-average levels of unemployment this policy change could have important consequences for the country.

The current rate of unemployment is 17.3 per cent compared with 13.1 per cent in the UK as a whole. In the development areas, which cover a third of Wales, the rate among men is more than 22 per cent.

However, Wales could benefit from the greater emphasis on service industries, because in spite of a reduction in the dominance of the Welsh economy by coal and steel, parts of the country still rely heavily on the UK in provision of service industries. Mid-Glamorgan, for instance, had only 48.5 per cent

of its workforce in this sector in 1981 compared with a national average of 62 per cent.

The main objective of regional policy continues to be stimulation of jobs, but both service industries and small firms come out of the review of policy in a relatively advantageous position.

The 40 per cent EEC ceiling does not apply to the service sector and if footloose industries can be attracted to Wales they will contribute to the development of a more balanced economy.

More help for small businesses should also assist Wales because parts of the country are deficient in this sector. The proportion of businesses in Mid-Glamorgan with fewer than 25 employees, for instance, is significantly below the national average.

The previous requirement of a minimum outlay of £500 per item before a project could be considered for assistance no longer applies. The benefit of this change is relatively more important for small firms and start-ups than for bigger companies.

Furthermore, although no help was previously forthcoming for purchase of second-hand equipment a business can now qualify for a grant, though in a somewhat complex way, on the basis of initial investment.

The benefits of this is highlighted by a survey by the Polytechnic of Wales which shows that of the total sample almost two-thirds of the start-ups in Wales brought mainly second-hand equipment, amounting on average for 58 per cent of all initial investment.

Cash-flow benefits from the new system of grants also helps small businesses. Interviews

SINCE November 28 1984 the following has been in operation:

- Only two tiers of assistance — development areas and intermediate areas. Special development areas abolished.
- Automatic regional development available only in development areas at 15 per cent for both new buildings and new equipment.
- No grants for replacement capital.
- Discretionary selective assistance in all assisted areas.
- Some service industries eligible for regional development grants.
- RDG rates either £3,000 per job created or 15 per cent of approved capital spending.
- RDG limited to 40 per cent of total capital investment.

with managers of local branches of major banks showed that they may be prepared to treat the grants as equivalent to an injection of equity capital. This could lower capital gearing and facilitate loan finance.

The new policy has not been in force long enough to allow the cost effectiveness of the measures to be fully assessed. There is, however, some indication that the changes are likely to result in better value for money since provision of grants is more directly linked to job creation.

This article is based on work by R. Lewis, D. Freeman-Dickenson and M. Griffiths of the Polytechnic of Wales, Pontypriid, involving study of business start-ups and industrial development in Wales.



An impending departure: BP's Llandarcy oil refinery, near Swansea—Britain's first—is to cease oil and petrol refining next month after more than 60 years, creating 750 job losses in an area already suffering high unemployment.

CHAIN REACTION

The M4 motorway attracts dozens of high technology companies. They cite it as a major reason for their presence in the County of Gwent, now a leading high technology centre.

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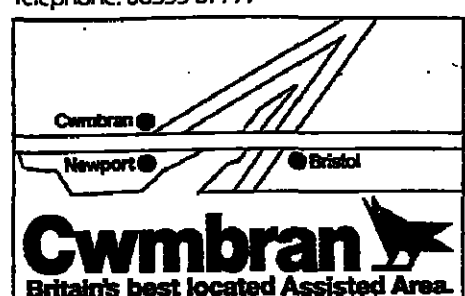
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Wales 3

Nights when Welsh ruled in California

Information technology

ROBIN REEVES

ALIGN-RITE Corporation, a Californian company manufacturing photomasks for the design and production of silicon chips, was anxious to expand in Europe and decided on a new manufacturing plant at mid-Glamorgan's fast-growing Island Farm science park in Bridgend. But it was faced with recruiting staff for a technology unknown in Wales.

With the help of a £750,000 training grant from the Welsh Office, however, the company took 35 recruits to California for six months. Their proficiency and enthusiasm was such that by the end of the training, the Welsh workforce were running the Californian plant night shift, prior to returning to launch the Bridgend operation at the beginning of this year.

Align-Rite's experience illustrates the enthusiasm with which Wales is embracing the new technology and the opportunity. Imnos finds that visiting Americans are envious of the quality and loyalty of the staff at its Newport plant.

But at the same time a Ferranti executive noted that the size of the industry in Wales was still too small to provide jobs for all suitably-qualified graduates emerging from the University of Wales each year.

With a few notable exceptions, Wales missed out on the initial growth in electronics and information technology investment. For five years it has been trying to catch up to help

replace the heavy job losses in traditional industries.

South Wales has sought to take advantage of its location as a natural extension of the electronics industry growth along the M4 corridor. In North Wales, meanwhile, the county of Clwyd is emerging with a specialisation in optical fibres, described as the most significant development in telecommunications since the invention of the transistor.

The Welsh Office says there are about 100 companies in Wales employing some 14,000 people in electronics and related activities. This includes the telecommunications sector where there are a number of longer-established companies, but these are having to change radically to meet modern technological demands.

Investment

There are also some significant recent additions to their number. Among the major newcomers, Ferranti established its military computer systems design and development facility at Cwmbran in 1979. It was soon followed by Imnos at Newport, and Miti, the Canadian telecommunications group recently taken over by British Telecom, which set up its European headquarters at Caidicot, in Gwent.

More recently, the Parrott Corporation has opened Britain's first fully-integrated floppy disc manufacturing plant at Cwmbran's Llantarnam Industrial Park. Control Data Corporation, which set up at Brynmawr, Gwent, a decade ago, has been greatly expanding its output of floppy and hard discs and computer tape through a £14m investment programme.

In North Wales, Data Magnetics has announced a £12m project to build Britain's first thin-disc manufacturing plant.

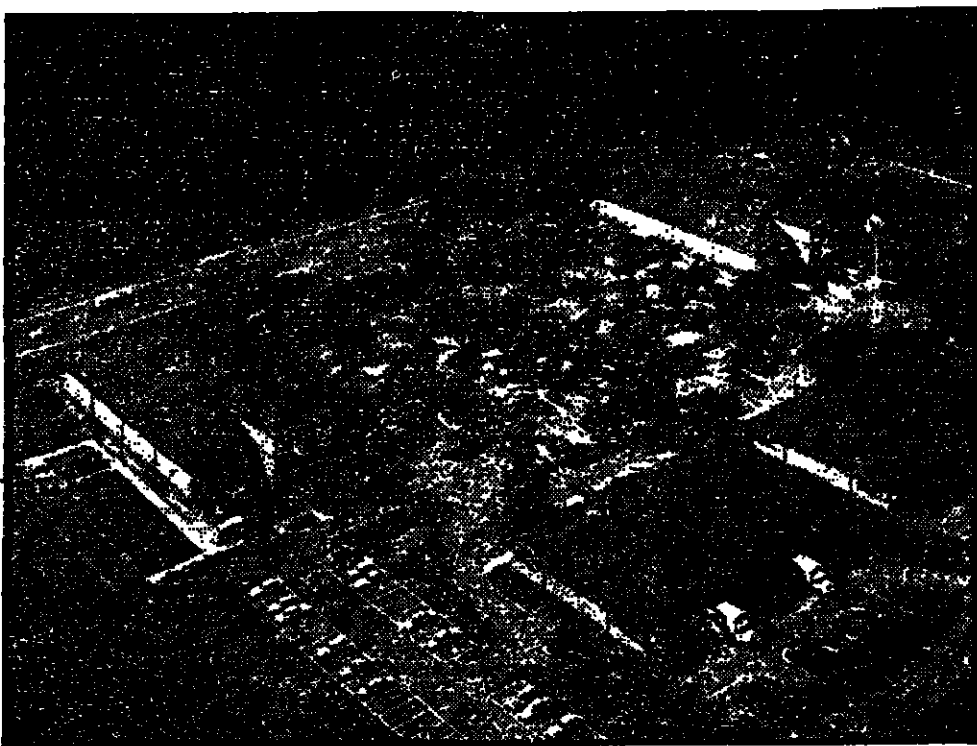
Another newcomer, Comdial Communications Corporation of the U.S., is fitting out a £13m highly-automated plant for the manufacture of advanced telecommunications equipment at St Mellons, Cardiff. Another Californian-based company, Aerlan, has begun manufacture at Bridgend of advanced semiconductor devices and higher-level assemblies for telecommunications, avionics and radar applications.

The one that recently got away was LSI Logic, rising star of California's silicon valley, which at the last minute opted to go to Lower Saxony, in West Germany, rather than Cwmbran. It was a blow since LSI's specialisation in semi-custom chips could well have quickly attracted others requiring proximity to this kind of facility.

On the other hand, Imnos, which helped to put Wales on the world semi-conductor manufacturing map, has completed a second plant at Newport at a cost of £20m. This will allow the company to repatriate final assembly and testing work which has been undertaken in the Far East.

Creation of a further 600 jobs, bringing its Newport workforce to 1,500 has been delayed by the downturn in world semi-conductor demand. But Imnos is confident of riding out the difficulties through diversification into new products, notably its transistor family, which is a computer on a chip.

Another development has been the spectacular growth in Wales of the AB Electronic Products group, a public quoted company which this year celebrated its 50th anniversary. Over three years this company has doubled its Welsh workforce to 3,500, opening facilities in Rugeley, Cardiff and Pontypridd for printed circuit



Wales' first business centre for advanced technology, on Deeside Industrial Park, North Wales. Around a landscaped courtyard for starter ventures, and Newtech, a company run jointly by Clwyd Council and North East Wales Institute, to provide one stop shopping for technology advice and information

assemblies, automotive electronics products and signal distribution equipment.

A measure of the company's success is that it has been able to brush aside the problems of its important customers. Acorn, through growth in business with IBM.

Mainstream electronics growth in North Wales has been limited. But the location of Optical Fibres, the Corning Glass-BICC subsidiary on Deeside, and the Pilkington Group's fibre optic technology activities in Clwyd has given the area an important stake in a key new industry associated with information technology and telecommunications.

After an initial investment of £17.5m, Optical Fibres is spending a further £5m to double production capacity to 200,000 km of fibre a year in response to British Telecom's growing recabling programme. Pilkington has opened a new

plant specialising in short-distance fibre links between computers and other office equipment and electronics interface equipment. Some 80 per cent of production is being exported, mainly to the continent. The company has also just established an American sales operation and is now looking forward to market growth in the U.S.

Another offshoot, Pilkington Security Equipment, in Denbigh, is extending application of the technology into high-security fencing and leakage detection systems for cryogenically (supercooled) stored liquids such as industrial gases.

In South Wales, British Telecom's investment programme is boosting business at STC's cable products division at Newport. The company has also won pioneering overseas orders for high-capacity optical fibre cable communications systems, including the first China contract to

be secured by a Western company.

British Telecom itself is re-equipping its Cwmbran plant in Gwent to manufacture new products for domestic and export markets.

The drive to attract more information technology companies goes on. Clwyd has opened its Newtech Centre on Deeside Industrial Park offering new technology businesses a "one-stop shop" for technical services and business support. The Welsh Development Agency is constructing an innovation centre on the campus at University College, Swansea, and a £3.2m campus-style development for high-technology industry at Cleppa Park, Newport, extending to 62,000 sq ft. It is also planning 35,000 sq ft of specialised accommodation at St Mellons, Cardiff.

Mid-Wales Development is also contributing to the drive through science park developments at Newtown, Powys, and at Aberystwyth, where the development is associated with the University College.

Cwmbran Development Corporation has opened a £1m high-technology development called Raglan House on Llantarnam Park which has already attracted five tenants. Plans for second complex along the same lines are under way.

During a period when competition for internationally-mobile projects in high technology has never been greater, Wales hopes that such developments will help attract and nurture ventures in their formative stage and so increase the growth rate of expanding, home grown, companies.

Scramble for growth

Biotechnology

ROBIN REEVES

IN 1979, the Welsh Development Agency invested £100,000 in a small Swansea-based company called Bio-Isolates. The capital injection was to enable the company to develop a pilot plant in Carmarthen, Dyfed, to extract functional proteins from milk whey.

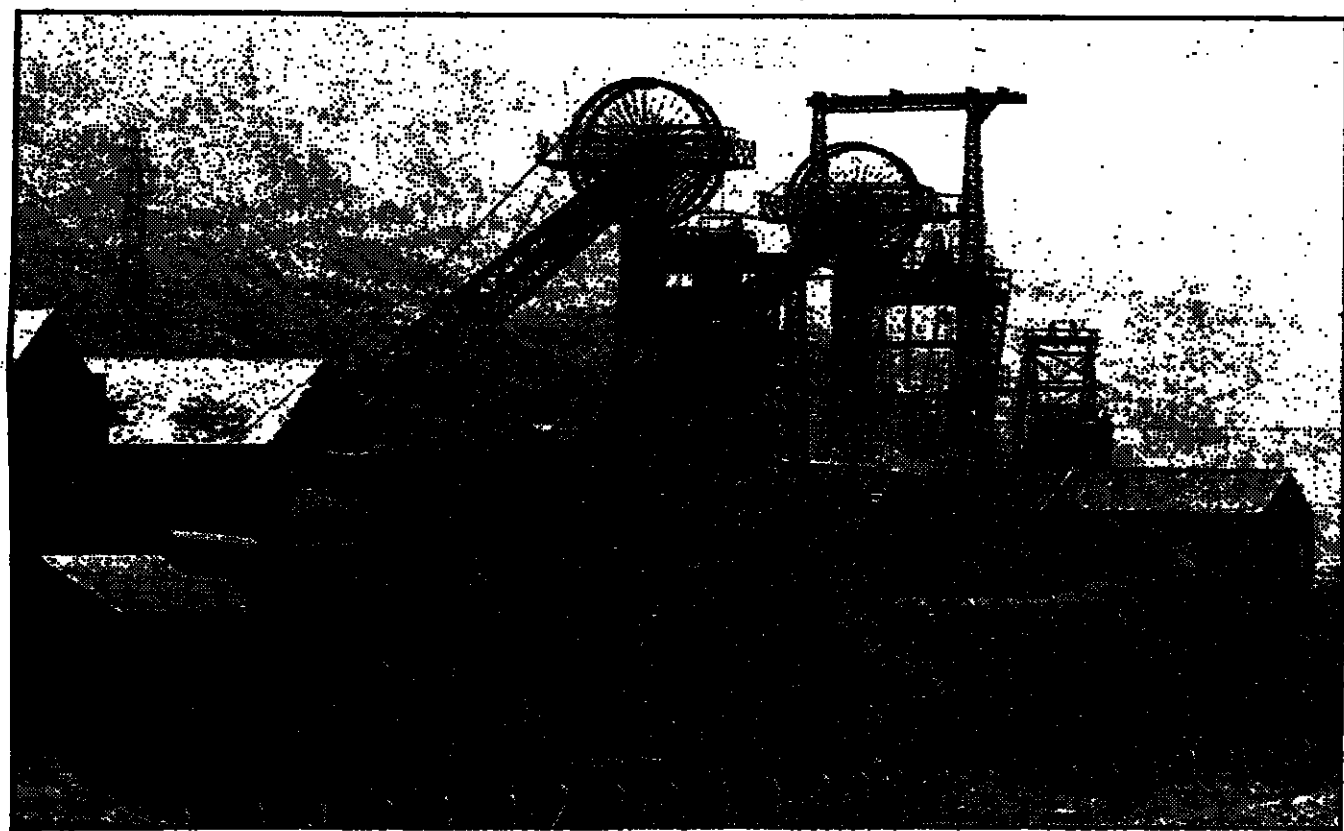
Three years later, Bio-Isolates took the unlisted securities market by storm, its shares soaring from an issue price of 33p to £4 and the agency was able to dispose of a major slice of its shareholding at a net profit approaching £200,000. Its most handsome investment success ever.

Interest in Bio-Isolates has since returned to normal. The company is building a full-scale extraction plant at Michelstown, Ireland, but it has still to make a profit. But the scramble surrounding its launch provided a vivid illustration for the Welsh public of the excitement surrounding biotechnology and the radical changes it promises in the fields of agriculture and food processing, forestry, health care, pharmaceuticals and a large sector of the chemicals industry.

The commercial development of biotechnology is in its infancy. The University of Wales has taken a small but important step to try to foster an industry which could be an important generator of growth and employment towards the end of the century by establishing its own biotechnology centre at Swansea.

As the European Commission recently noted, biotechnology is a "knowledge based business" in which research and development capability is central. Warning European governments that this must not be another field in which the Community loses out to the U.S. and Japan, it stressed: "That capability has to be achieved by developing centres in Europe with the equipment, the people (above all the broad interdisciplinary teams), the intellectual stimulus and density in 'brains per square metre'."

The biotechnology centre is designed to act as just such a focus for the industry in Wales which so far extends to some 26 ventures. They range from biotechnology work within major established companies such as Amersham International and Monsanto to small spin-out developments from college research departments.



A familiar sight in the Welsh industrial valleys, but for how much longer? The miners' strike over, the NCB's pit closure plans for the area are expected to be unveiled soon. The winding gear at Tynawr Lewis Merthyr pit, already closed (above), is to form part of a Heritage Centre, commemorating the once massive Rhondda coal industry

Academics plough back knowledge

WINTech

Higher education is being tapped to help industry chase international rivals in technology.

THERE IS a great desire among academics in Wales to contribute to the country's industrial regeneration, according to Mr Clive Thomas, head of Wintech, the newly-created technology promotion arm of the Welsh Development Agency.

"They have a conscience, a feeling which stems from the knowledge that higher education in Wales was started by its people," he says.

One of his main roles as head of Wintech is to ensure that the desire to help does not go to waste.

Setting up Wintech was one of a number of recent developments aimed at improving the technological base of Wales by increasing the contribution of the education system. Others include:

- A £2m science park at the University College of Wales, Aberystwyth, which already houses two spin-off companies, making products resulting partly from academic research.
- A £1m innovation centre at the University College, Swansea, to house a biotechnology centre and a range of spin-off companies.
- The setting up of a company, Newtech, by the North-East Wales Institute of Higher Education and Clwyd County Council to provide technological

help for local companies and help academics develop ideas for the market. The company, which will soon move into premises on Deeside Industrial Park, will draw on the resources of the institute's 80-strong research staff.

● The proposed creation next year of a business technology centre by South Glamorgan County Council and the Cardiff University Industry Centre to house fledgling companies from the university. CUIC hopes to set up a centre for innovation studies as part of the project, to teach entrepreneurial skills to graduates, post-graduates and even schoolchildren.

This flurry of activity stems in part from the Government's demand that higher education must contribute more to the economy.

It also reflects a growing awareness that Wales, like the rest of the UK, has fallen behind industrial competitors like Japan and the U.S., not through lack of innovative talent but partly because it has failed to transfer ideas from the laboratory into the commercial world.

Encouraging

Wintech aims to spearhead the Welsh drive to help Britain catch up with its rivals in technological innovation. Set up 10 months ago it aims, in the words of the Welsh Development Agency, to plug the industrial base of the country into the higher education system.

It will work with Wintech, the inward investment arm of the WDA, to help attract high-tech industry, and liaise with existing technology-based companies to ensure they receive a steady flow of graduates with relevant qualifications and skills. Wintech is also encouraging larger industrial companies

to increase financial contributions to academic research.

Its most important role is as financial and technical broker for the small and medium-sized businesses which need research facilities to expand but do not have the resources to set up units. It will help academics whose commercially viable ideas have languished in the past because of a lack of funds and guidance.

Mr Thomas, aged 44, was formerly head of the undergraduate school of physics at the University of Bradford. He and his fellow "brokers," Mr David Graham and Mr Derek Webb, have experience of leading scientific research groups and their combined interests span new technology subjects from applied physics to advanced flexible manufacturing.

"We are here to help anyone who wants to create a new product," Mr Thomas says.

For industrial clients and entrepreneurs outside the academic system, Wintech's broking includes advice on a suitable research programme and where to find the appropriate expertise, whether from higher education or private sources. In most cases the service is free unless Wintech takes on a managerial role.

For academics who have developed ideas with spin-off potential, Wintech will advise on setting up a company or finding an existing one capable of producing or selling the product under licence or in partnership.

Wintech will also offer advice on grants for research. If these are insufficient, it will consider injecting up to £25,000 from its technological development fund. It also has access to

WDA funds, including Hafren Investment Finance, the WDA venture capital company, which will back projects with between £10,000 and £100,000.

This WDA finance is essential, because of the dearth of private sector funds for developing new products, Mr Thomas says. "For small companies with bright ideas there are precious few venture capital resources available. The first stage of developing a prototype is virtually impossible," Mr Thomas says.

Research

"In the academic world there is money for research but little for development. It has been argued that higher education is not there to develop products, but a growing number of academics want to get their fingers dirty in industry."

Wintech, which had operating costs in its first financial year of about £100,000, is only now beginning to find its feet. But Mr Thomas says it has already linked two companies with research facilities in higher education, and assisted in the development of three academic-based projects likely to lead to spin off companies.

"The two outside companies are delighted because they have resources available at an economic price which they could not have had otherwise."

"In the three spin-off possibilities, we think two have the potential to form successful companies. The third needs money to develop a prototype but it could leave the other two standing."

"On the other hand it may not make it. It has perhaps a one in 10 chance. Without us it would have stood no chance."

Michael Smith

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WALES

Wales 4

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Tourism

ANTHONY MORETON

TWO HUNDRED yards into England on the Avon side of the Severn Bridge there is a sign saying "Croeso i Loegr" and underneath the translation "Welcome to England."

Welshness is the nicest form of flattery. For years the Welsh have had a notice proclaiming "Croeso i Gymru" ("Welcome to Wales") on their side of the estuary, and the English have only recently retaliated.

The intention of the Welsh sign, repeated along the border, is to make visitors feel they are entering a country which, while resolutely British, is still different from England.

This separatism has been an influential factor in turning Wales into the second most important holiday area in Britain after South-west

England. Holidaymakers spend some 56m nights a year in Wales and spend £510m. But Wales faces fundamental problems in attracting investors and maintaining its tourist industry. In spite of the building of Holiday Inn in Cardiff, a new Ladbroke hotel and marina in Swansea and an indoor leisure centre in Rhyl, inward investment has not been as high as the planners would have liked.

One difficulty is that hoteliers do not see a 12-week holiday season as a basis on which to make a £2-week investment, especially those running five-star establishments. They expect to make money between Monday and Thursday from business clients and with the decline of Welsh industry they are not able to attract enough.

Wales has also suffered from

the counter-attractions of holidays abroad and a fall in the number of long holidays over the past eight years.

Since 1978 the number of people taking holidays of more than four nights has fallen from about 5m to less than 3m, and according to the Wales Tourist Board, "there is no prospect of a major reversal of this trend."

Hotels themselves have taken a smaller proportion of these long holidays while guest houses, the main staple, have lost ground with long- and short-stay visitors.

More people appear to be spending time in caravans—their own or rented—especially in the peak months of July, August and September. Since these tend to be taken by those with lower incomes, who bring their own food with them, the amount of money they pump into the economy is much less.

Separate

A revitalised Wales Tourist Board has fought back with a marketing plan targeting the affluent South-east England as a prime area from which to attract visitors. It has also sought to extend the holiday season, encouraged daily and holiday trips by the Welsh within their own country, developed marketing schemes with tour operators and shifted the image of Wales towards that of an all-year resort.

Mr Frys Edwards, chairman of the board since last year, says: "All our new ideas are based on the concept that Wales has a special and separate cultural, linguistic and aesthetic value."

"We have to accept that Scotland and England have managed to 'sell' a good image—whisky, beavers, tartans, Shakespeare, the Highlands.

But we in Wales have something quite different, too, based on our language and cultural background."

"If we can prise some of the overseas visitors away from the milk-run that takes them through Cambridge, Lincoln, York, Edinburgh and back to London via the Lakes, Stratford and Oxford, we shall have achieved something."

Mr Paul Loveluck, the board's chief executive, adds: "If Wales is to be a strong attraction for the holiday-maker, we have to be switched on to the package trade—especially activity holidays where we have enormous natural advantages."

London is the focal point for that switch. Some 80 per cent of visitors to London from outside Europe arrive under their own resources.

"They have come without preconceived ideas of what to see in Britain, and we want to bring them to Wales," Mr Loveluck says.

To achieve maximum impact in winning a segment of this market, the board opens a London centre in Piccadilly today, just a hundred yards from Piccadilly Circus.

The centre, which is being run in conjunction with the Welsh Development Agency and Mid-Wales Development, is not intended to be just a place where the passing holiday-makers come to pick up leaflets. The intention is to make it a centre for a massive drive to the holiday trade as well as to the individual visitor. Package-tour and coach operators will be canvassed to take people to Wales.

"The centre is opening at a good time," Mr Loveluck says. "It's not an immutable law that people should go to Spain or Greece. The pattern of holiday-making is changing."



Commonwealth Holiday Inns of Canada's new £2m hotel is now taking shape in the centre of Cardiff. An important new addition to the Welsh capital's tourist accommodation, it is due to open next spring.

"Holidays are being taken more frequently, but they tend to be shorter. There has been an upsurge of bookings within the UK, which should continue."

In particular, there has been increased evidence of interest in activity holidays. This is a growth area in which Wales is strongly entrenched. We have harbour developments either completed or proposed at Swansea, Neyland, Penarth, Aberystwyth and Pwllheli. We are also developing other active leisure interests.

"We are getting only 4 per cent of the overseas visitors to the UK. Our plans should enable us to double this."

To cater for this rising tide of holidaymakers the board expects, greater investment support has been made available. The £2m allocated towards projects this year is likely to be fully taken up. In the past, projects backed by the board such as the Big Pit at Blaenavon, Rhyl's Sun

Centre and the Llechwedd slate mine at Blaenau Ffestiog have turned into big winners. The Sun Centre attracts 500,000 visitors a year and its effect on the local economy has been considerable.

"This is the key," according to Mr Norman Stone, recently-appointed director of projects. "Tourism is about jobs and creating work."

"With our grant aid we are creating jobs at about £3,000 a time. This compares with the £35,000 a job for regional aid. Tourism can do a lot for the economy."

The Wales Tourist Board would like to develop more schemes such as the Swansea marina, where a partnership of public and private enterprise created the £200m scheme. It is no coincidence that the man who masterminded that investment, Mr Maurice Howell, is now the board's deputy director.

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Telephone (0222) 499909.

WALES
Bwrdd Croeso Cymru Wales Tourist Board

Japanese efficiency boosts industry

TV and Video equipment

MICHAEL SMITH

RADICAL MOVES by Hitachi, the Japanese consumer electronics group, to make its south Wales television factory profitable appear to be succeeding.

It is just over a year since the company announced 500 redundancies and a Japanese-style future for the Hirwaun plant, of which it had just taken sole control after ending an uneasy five-year joint venture with GEC.

In future, it said, it would deal with only one of the six existing unions at the plant—the Electrical/Electronic, Telecommunications and Plumbing Union (EETPU)—and would conclude with it a no-strike, no-lockout agreement. Among other changes, company members, as staff were now to be called, would be required to agree complete flexibility of jobs.

Today, the company says, efficiency levels which it branded last year as the "worst in the UK in any competitor comparison" have almost doubled because of the industrial relations changes and the introduction of improved machinery. It expects Hitachi UK to make its first profit this financial year.

The workforce has benefited from improved wages and conditions. The local community has been rewarded with the creation of 225 jobs, albeit mostly temporary at first, to enable the company to begin production this summer of video cassette recorders and audio equipment. This will take the staff complement to about 1,000.

Hitachi is one of nine Japanese companies with factories in Wales. In the TV and video equipment sector it is joined by Sony and Matsushita, both of which have been in the Principality for more than a decade and are continuing to expand, and Sharp, which started production at its video recorder plant earlier this year.

The Welsh success in TV and video equipment manufacturing is not limited to Japanese companies, however. At Gorseinon, near Swansea, 3M operates Britain's largest video cassette manufacturing plant. In Wrexham, Internamatics UK, also making videocassettes, expects to break even this year after a shaky three-year start-up. Companies involved in cable and satellite TV equipment manufacture include Thorn EMI Dynatel in Mid Glamorgan, and Satellite TV Antennae Systems in Newport.

The four Japanese companies together with 3M, Internamatics, Thorn EMI Antennae Systems and Satellite TV provide equipment in TV and video equipment manufacturing for nearly 3,500 people but a large number of jobs have been created through their suppliers.

For example, 3M estimates that its video tape plant, which employs 500 people, has created another 450 jobs in its local materials and components suppliers. Sony UK, which will manufacture about 200,000 TV sets a year and another 240,000 TV tubes for the company's other two European plants, reckons that nearly half of its components are supplied by companies in Wales and the Midlands.

Decisive

It was Sony which led the Japanese TV manufacturers' move to Wales. It decided in 1972 to set up its Bridgend plant largely to help ease trade tensions between the Japanese and the EEC. Factors which contributed towards the choice of Wales above other European countries included the language (English is more widely spoken in Japan than other European tongues), the skills of the workforce, the availability of grants and the environmental advantages pointed up by the Welsh Development Agency.

Similar arguments swayed Matsushita, which began manufacturing in 1976, but for Hitachi the decisive factor was the offer of a joint venture with GEC. For Sharp it was the closeness of its Wrexham plant to its Manchester distribution centre.

The Japanese like what they have found in Wales. Few major problems have been en-

countered in combining Japanese work methods with those of the Welsh, as the Hitachi experience demonstrates. Sony and Matsushita have both had single union agreements from the start and both are pleased with their industrial relations.

Recent expansion moves include the announcement by Sony in March of a £28m investment programme, spread over three years, to modernise its equipment. This involved the creation of 90 jobs to bring the total workforce to 1,100.

Matsushita's plant at Cardiff, the group's only TV manufacturing plant in Europe, is undergoing its fourth expansion. This is designed to increase annual television production from a record 212,330 units achieved last year to 300,000 units by 1987. It is to begin production of electronic telephones and FAX exchanges, adding 25 jobs to the existing 570 in TV manufacture and 50 in audio equipment production.

Even so, Matsushita's President recently expressed disappointment that innovation and progress had not been faster.

Expansion

Diversification is also a feature in the expansions at Sharp and Hitachi. Last month Sharp announced it was starting Welsh manufacture of microwave ovens. Production of video recorders, which began in February and is running at 3,500 units a month has created 100 jobs already but this is expected to rise to 600 in three years. By then Sharp's investment is expected to top £15m.

Hitachi's move into video recorders and audio equipment, prompted in part by growing protectionism in the EEC will create 200 and 25 jobs respectively. The initial production target for the recorders is 5,000 a month; for audio equipment 4,000. The company also expects to produce around 300,000 TV sets in Hirwaun this year.

The sector's largest expansion programme, however, is at 3M's Scotch videotape plant at Gorseinon. Between 1980 and 1987 the company will spend nearly £40m there and increase production from 1.75m units a month to 3.75m (45m a year).

On a smaller scale, Internamatics UK is making 3.5m cassettes a year but it plans to increase production this summer by taking on an extra 30 staff to add to its existing 70.

Meanwhile, Satellite Antennae TV Systems received a major boost last month with the Government's decision to relax its rules on satellite TV reception so that individuals can erect their own receiving dishes. The four-year-old company, which manufactures satellite receivers and associated equipment, is considering doubling its Welsh staff to 50 this summer and holds out many more jobs will be created for rental companies and dish installers.

Thorn EMI Dynatel is waiting for a similar boost from the Government in cable TV.

BLAENAU GWENT

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The recent announcement by the Japanese battery manufacturers, Yuasa, of 300 new jobs created by the expansion of their Ebbw Vale operation, is a good example of developments in Blaenau Gwent, since it first became the most attractive Development Area closest

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CROSSHANDS INDUSTRIAL ESTATE

JOIN LEO'S, LEEKES and LOPEN at the West Wales Distribution Centre, CROSSHANDS. Located at the western end of the M4/A48T corridor, the Estate offers direct access on to the proposed A48T Crosshands Bypass and A478, and is centrally placed to service West and Industrial South West Wales.

The Estate is 80 acres in extent and has the benefit of outline planning permission for light industrial and retail use. Plots of 1/2 acre to 30 acres are available NOW on a lease or direct sale basis, including plots in premier locations overlooking the A48. Companies requiring land for retail, light industrial use, car tyre depot, car showrooms, motel/public house, cattle market and meat processing units at this key location are invited to contact the Borough Planning and Economic Development Office NOW.

- ★ Assisted Area, SFA Grants, ECSC, BSC Industry Funding
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- ★ Prestige 10 and 20,000 sq. ft. units Dafen Industrial Park, Llanelli
- ★ Starter Workshops, Trostre Industrial Park, Llanelli

LLANELLI BOROUGH COUNCIL
Ty Ewyr, Llanelli, Dyfed, SA15 3AP Tel. (0554) 758181. Ext. 322.

Financial Times Wednesday June 12 1985

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INSURANCE, OVERSEAS & MONEY FUNDS

Standard Life Assurance Co. Ltd.
 1001-1002, 1003, 1004, 1005, 1006, 1007, 1008, 1009, 1010, 1011, 1012, 1013, 1014, 1015, 1016, 1017, 1018, 1019, 1020, 1021, 1022, 1023, 1024, 1025, 1026, 1027, 1028, 1029, 1030, 1031, 1032, 1033, 1034, 1035, 1036, 1037, 1038, 1039, 1040, 1041, 1042, 1043, 1044, 1045, 1046, 1047, 1048, 1049, 1050, 1051, 1052, 1053, 1054, 1055, 1056, 1057, 1058, 1059, 1060, 1061, 1062, 1063, 1064, 1065, 1066, 1067, 1068, 1069, 1070, 1071, 1072, 1073, 1074, 1075, 1076, 1077, 1078, 1079, 1080, 1081, 1082, 1083, 1084, 1085, 1086, 1087, 1088, 1089, 1090, 1091, 1092, 1093, 1094, 1095, 1096, 1097, 1098, 1099, 1100, 1101, 1102, 1103, 1104, 1105, 1106, 1107, 1108, 1109, 1110, 1111, 1112, 1113, 1114, 1115, 1116, 1117, 1118, 1119, 1120, 1121, 1122, 1123, 1124, 1125, 1126, 1127, 1128, 1129, 1130, 1131, 1132, 1133, 1134, 1135, 1136, 1137, 1138, 1139, 1140, 1141, 1142, 1143, 1144, 1145, 1146, 1147, 1148, 1149, 1150, 1151, 1152, 1153, 1154, 1155, 1156, 1157, 1158, 1159, 1160, 1161, 1162, 1163, 1164, 1165, 1166, 1167, 1168, 1169, 1170, 1171, 1172, 1173, 1174, 1175, 1176, 1177, 1178, 1179, 1180, 1181, 1182, 1183, 1184, 1185, 1186, 1187, 1188, 1189, 1190, 1191, 1192, 1193, 1194, 1195, 1196, 1197, 1198, 1199, 1200, 1201, 1202, 1203, 1204, 1205, 1206, 1207, 1208, 1209, 1210, 1211, 1212, 1213, 1214, 1215, 1216, 1217, 1218, 1219, 1220, 1221, 1222, 1223, 1224, 1225, 1226, 1227, 1228, 1229, 1230, 1231, 1232, 1233, 1234, 1235, 1236, 1237, 1238, 1239, 1240, 1241, 1242, 1243, 1244, 1245, 1246, 1247, 1248, 1249, 1250, 1251, 1252, 1253, 1254, 1255, 1256, 1257, 1258, 1259, 1260, 1261, 1262, 1263, 1264, 1265, 1266, 1267, 1268, 1269, 1270, 1271, 1272, 1273, 1274, 1275, 1276, 1277, 1278, 1279, 1280, 1281, 1282, 1283, 1284, 1285, 1286, 1287, 1288, 1289, 1290, 1291, 1292, 1293, 1294, 1295, 1296, 1297, 1298, 1299, 1300, 1301, 1302, 1303, 1304, 1305, 1306, 1307, 1308, 1309, 1310, 1311, 1312, 1313, 1314, 1315, 1316, 1317, 1318, 1319, 1320, 1321, 1322, 1323, 1324, 1325, 1326, 1327, 1328, 1329, 1330, 1331, 1332, 1333, 1334, 1335, 1336, 1337, 1338, 1339, 1340, 1341, 1342, 1343, 1344, 1345, 1346, 1347, 1348, 1349, 1350, 1351, 1352, 1353, 1354, 1355, 1356, 1357, 1358, 1359, 1360, 1361, 1362, 1363, 1364, 1365, 1366, 1367, 1368, 1369, 1370, 1371, 1372, 1373, 1374, 1375, 1376, 1377, 1378, 1379, 1380, 1381, 1382, 1383, 1384, 1385, 1386, 1387, 1388, 1389, 1390, 1391, 1392, 1393, 1394, 1395, 1396, 1397, 1398, 1399, 1400, 1401, 1402, 1403, 1404, 1405, 1406, 1407, 1408, 1409, 1410, 1411, 1412, 1413, 1414, 1415, 1416, 1417, 1418, 1419, 1420, 1421, 1422, 1423, 1424, 1425, 1426, 1427, 1428, 1429, 1430, 1431, 1432, 1433, 1434, 1435, 1436, 1437, 1438, 1439, 1440, 1441, 1442, 1443, 1444, 1445, 1446, 1447, 1448, 1449, 1450, 1451, 1452, 1453, 1454, 1455, 1456, 1457, 1458, 1459, 1460, 1461, 1462, 1463, 1464, 1465, 1466, 1467, 1468, 1469, 1470, 1471, 1472, 1473, 1474, 1475, 1476, 1477, 1478, 1479, 1480, 1481, 1482, 1483, 1484, 1485, 1486, 1487, 1488, 1489, 1490, 1491, 1492, 1493, 1494, 1495, 1496, 1497, 1498, 1499, 1500, 1501, 1502, 1503, 1504, 1505, 1506, 1507, 1508, 1509, 1510, 1511, 1512, 1513, 1514, 1515, 1516, 1517, 1518, 1519, 1520, 1521, 1522, 1523, 1524, 1525, 1526, 1527, 1528, 1529, 1530, 1531, 1532, 1533, 1534, 1535, 1536, 1537, 1538, 1539, 1540, 1541, 1542, 1543, 1544, 1545, 1546, 1547, 1548, 1549, 1550, 1551, 1552, 1553, 1554, 1555, 1556, 1557, 1558, 1559, 1560, 1561, 1562, 1563, 1564, 1565, 1566, 1567, 1568, 1569, 1570, 1571, 1572, 1573, 1574, 1575, 1576, 1577, 1578, 1579, 1580, 1581, 1582, 1583, 1584, 1585, 1586, 1587, 1588, 1589, 1590, 1591, 1592, 1593, 1594, 1595, 1596, 1597, 1598, 1599, 1600, 1601, 1602, 1603, 1604, 1605, 1606, 1607, 1608, 1609, 1610, 1611, 1612, 1613, 1614, 1615, 1616, 1617, 1618, 1619, 1620, 1621, 1622, 1623, 1624, 1625, 1626, 1627, 1628, 1629, 1630, 1631, 1632, 1633, 1634, 1635, 1636, 1637, 1638, 1639, 1640, 1641, 1642, 1643, 1644, 1645, 1646, 1647, 1648, 1649, 1650, 1651, 1652, 1653, 1654, 1655, 1656, 1657, 1658, 1659, 1660, 1661, 1662, 1663, 1664, 1665, 1666, 1667, 1668, 1669, 1670, 1671, 1672, 1673, 1674, 1675, 1676, 1677, 1678, 1679, 1680

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Money Market Trust Funds

Money Market Bank Accounts

Charterhouse Japhet plc
1 Palmolive Row, EC4M 7DH.
Selling (12 375 9 25)

Henderson/Bank of Scotland
38 Threadneedle St EC2P 2EH
Money Mkt. Cheque Acc. 112.05 9 001

Tyndall & Co

(shown in last column) allow for all buy-
a Offered price, include all expenses. b 1-
c Yield based on offer price d Estimate
opening price e Distribution free of
a. Domestic currency, unrounded, plus a 2.5

... ..

COMMODITIES AND AGRICULTURE

Jamaican bauxite plan raises doubts

By Canute James in Kingston

NORTE American companies refining bauxite in Jamaica have expressed doubts about the feasibility of changing from oil to coal fired processing to reduce production cost, said by the industry to be much higher than the world average.

The Government is proposing the change on grounds that the reduction in costs would make Jamaican refined bauxite more competitive, and help shore up the bauxite industry which is the island's main hard currency earner.

Output fell last year to 8.5m tonnes from 12m tonnes in 1980, and a further decline of 2m tonnes is anticipated this year.

The coal for the refineries is to come from Colombia which has signed agreement in principle to supply not only the needs of the bauxite refineries, but also Jamaica's cement plant and the state owned electricity company.

The refineries, however, are questioning the feasibility of the conversion plan, estimated by the Government three years ago to cost about \$350m.

"I do not think a study has been made in Jamaica that puts the conversion to coal at less than \$100m for some plants, and some of them as much as \$250m," says Mr J. Broussard, general manager of Alumina Partners of Jamaica (Alpar).

The refinery is owned by the Reynolds, Kaiser and Atlantic Richfield companies of the U.S. With a rated capacity of 1.2m tonnes per year, it is Jamaica's largest.

"If you are going to make a net return on savings of \$10m, you can afford to invest \$100m," Mr Broussard asked.

Alcan, which operates two refineries on the island with a combined rated capacity of 1.1m tonnes, has similar doubts about the feasibility of the conversion to coal fired processing.

"As a company that actually conducted a study on the conversion factor, we took a hard look at it," said Dr. K. D. Panton, executive vice-president of the company's local operations.

Row looms over U.S. farm export shipping rules

BY NANCY DUNNE

THE U.S. farming and maritime lobbies are headed for a confrontation this week in Congress over the requirement that 50 per cent of all U.S. government-generated cargoes must be transported on U.S. ships.

Cargo preference requirements were responsible for the suspension of a subsidised credit farm export programme in February when a U.S. district court judge ruled that the law was applicable to "blended credit" shipments. The outcry over the loss of the programme and an estimated \$536m in sales this year was a factor in the decision by Mr John Block, the Agriculture Secretary, to offer the controversial new export bonus scheme. He insists that cargo preference will not be required under the new programme, but the maritime lobby may contest that view in court.

Farm groups say that cargo preference was only designed to apply to long-term concessional sales or aid programmes. They claim that it adds at minimum 10 per cent to the cost of shipping and usually much more.

U.S. rejects proposal to share out world market

BY ANDREW GOWERS IN PARIS

MR JOHN BLOCK, the U.S. Agriculture Secretary, yesterday firmly rejected a French call for the permanent organisation of world agricultural markets.

Francis Mitterrand, the French President reiterated his view that exporters of farm products should agree on market shares at the opening session of the UN world food council, here on Monday.

But speaking at a press conference as he left Europe, after a week-long tour Mr Block said "I don't know how you organise markets. If that means dividing the world up into fair shares, I just don't know what I'm saying. Market shares change because of differing conditions."

He said he did not think

A SHARP rise in Soviet grain production this year and a sharp cut in 1985-86 imports have been forecast by the U.S. Agriculture Department.

In its latest circular on the USSR Grain Situation and Outlook the department says Soviet 1985 grain production could total about 195m tonnes, up from a disappointing total of 170m tonnes in 1984.

Imports in 1985-86 are predicted to total 37m tonnes, down from a record 55m tonnes in 1984-85.

Legislation now in Congress, backed by the Administration, would limit cargo preference requirements to concessional sales programmes.

The House of Representatives merchant marine and fisheries committee will hear testimony on the proposal today and the Senate commerce committee will hold hearings on it tomorrow.

Mr John Baize of the American Soybean Association gives as an example of the costs of cargo preference the case of two ships headed for Sudan this year. The U.S. ship is charging \$4.50 a hundredweight to carry sorghum, while the Liberian vessel is charging \$2.24 a hundredweight.

The sailing U.S. maritime industry insists it needs the business of farm exporters to survive, but cargo preference was brought into further dispute last month by an article in Philadelphia Inquirer which reported that American ship operators have increased their fees to carry famine relief cargoes to Africa by \$6m over the past 17 months — "enough money to feed 170,000 people in Africa for a year."

The increased shipping fees occurred even though world shipping charges are declining. According to the Inquirer, if the U.S. Government had been able to use foreign ships to transport emergency food to Africa, \$34m would have been saved.

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India studies wheat export subsidies

NEW DELHI—India is considering a proposal to subsidise wheat exports to reduce its large surplus stocks according to Mrs Deepak Sandhu, a Commerce Ministry official.

The subsidy is expected to narrow the gap between domestic and international prices and encourage private traders to seek foreign buyers, she said.

India has signed major wheat export contracts only with the Soviet Union due to the high cost of its grain.

It will sell the Soviet Union 500,000 tonnes of wheat this year, out of a total export target of 2m tonnes, and a further 500,000 tonnes of wheat products, Mr Rao Birendra Singh, the Food Minister, said last week.

Reuters

Strategic metals prices down again

By John Edwards, Commodities Editor

A GENERALLY easier trend in most strategic metal markets has developed, with prices being marked down in thin trading conditions.

Mainly responsible for the downturn has been selling by merchants on the principle of "sell in May and go away" into seasonally quiet markets with little buying interest. Even the news that Amstar, the leading producer, was planning to halt production at two of its major production units, failed to halt the continued slide in molybdenum prices.

Meanwhile Reuter reported from Tokyo that Japanese platinum imports jumped to 15.1 tonnes in January/April from 9.8 tonnes in the same period last year. This was due to increased industrial and jewellery demand and active buying by small investors.

ANTIMONY: European free market, 99.5 per cent, \$ per lb, in warehouse, 2,650-2,750.

BISMUTH: European free market, min. 99.95 per cent, \$ per lb, in warehouse, 4,000-4,100.

CADMIUM: European free market, min. 99.95 per cent, \$ per lb, in warehouse, 1,200-1,300.

COBALT: European free market, min. 99.95 per cent, \$ per lb, in warehouse, 11,200-11,300.

MERCURY: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 255-265.

MOLYBDENUM: European free market, drummed molybdenum trioxide, \$ per lb Mo, in warehouse, 3,500-3,600.

SELENIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 6,650-6,750.

TUNGSTEN ORE: European free market, standard min. 65 per cent, \$ per tonne net wt, 10,000-10,100.

VANADIUM: European free market, min. 98 per cent, \$ per lb, in warehouse, 2,120-2,130.

URANIUM: Nuxco exchange value, \$ per lb U₃O₈, 15.00.

Frost hits Brazil's best coffee areas

BY ANDREW WHITLEY IN RIO DE JANEIRO

UNSEASONABLY cold weather has damaged coffee bushes in parts of the southern Brazilian states of Minas Gerais and neighbouring Sao Paulo — the most prolific and highest quality coffee producing region in the country.

Preliminary estimates from producers put the damage from last weekend's two nights of light frost at between 5 per cent and 10 per cent of next year's production from the region, adding to existing fears over the likely size and quality of the 1985-86 crop.

This year southern Minas Gerais is expected to produce 6.5m bags (each of 60 kilos) of high grade coffee out of the forecast Brazilian total of 25m bags.

The cold snap has brought sub-zero temperatures to much of southern Brazil since late last weekend and the indications are that the cold weather is set to continue. Meteorologists forecast several years in the doldrums, overshadowed by the so-called "Brazil's new miracle crop" — coffee has re-emerged

as the country's leading export product. Helped by higher world prices, so far this year export earnings from coffee have been doing better than at any time in the past five years. Between January and April, Cacao, the foreign trade authority, reported bean exports worth \$284m, compared with \$76m in the same period in 1984.

This represented over 11 per cent of total export revenues. Paradoxically, until recent days coffee registrations at the Brazilian Coffee Institute (IBC) had been running well behind the rate required to meet the country's quota set by the International Coffee Organisation.

This has now been made up with a burst of late registrations. By last Friday 590,000 bags for shipment in June had been registered with the IBC.

Paradoxically, until recent days coffee registrations at the Brazilian Coffee Institute (IBC) had been running well behind the rate required to meet the country's quota set by the International Coffee Organisation.

Under the scheme, under which farmers are compensated for surrendering their dairy quotas, it is to be reopened since the target has not yet been met. Mr John MacGregor, Minister of State for Agriculture, announced in a written reply in the House of Commons that at June 7 some 265m litres of quota had been bought-in under the scheme, but this was below the overall target of 289m litres so it was being re-opened. Even if the quota is not also open to producers who were not in milk production in April 1984 but have subsequently pur-

chased land with quota and who do not wish to produce milk.

Meanwhile, a special report by the Economist Intelligence Unit on International Trade in Dairy Products, just published, claims that the Community's decision in March 1984 to impose milk quotas was probably too little too late.

Quota production, it says, continues well in excess of demand at a time when outlets for dairy products are tending to contract rather than expand. Even if the quota is re-opened, the most buoyant growth in demand, may well be approaching saturation.

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Ivory Coast prospects boost cocoa forecast

By Our Commodities Editor

THE SURPLUS of cocoa production over demand this season (1984-85) has been raised to 98,000 tonnes in the latest market report issued yesterday by London dealers Hill and Duffin. In its last report in March the company predicted a surplus of 70,000 tonnes.

The increase in the forecast surplus is attributed primarily to an upward revision in the Ivory Coast main crop, put at 480,000 tonnes. With the mid-crop estimated at 50,000 tonnes total Ivory output this season is the second-highest ever, only surpassed by the bumper Ghanaian crop of 566,000 tonnes in 1964-65.

The report says that there are still some doubts about the forthcoming Temporo crop in Brazil with the possibility of excessive losses to black-pod disease, but at this early stage prospects for the 1985-86 crop are reasonable, with strong potential having taken place in West Africa and Brazil.

Prices, which have fallen by some \$230 a tonne since the end of March, are expected to move slowly to lower levels reflecting the surplus of supplies available.

London-Paris futures link agreed

By Our Commodities Staff

LONDON AND Paris commodity futures exchanges have agreed to link their trading, reporting services electronically, a move which was signed this week between the Comptoir des Commissaires Agrees de Paris (CCA) and Commodity Market Services (CMS), a wholly owned subsidiary of the London Commodity Exchange.

It is hoped that the new communications link will be ready for commissioning by early October.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

Unofficial + or - High/Low (cents/lb) 2 per tonne

	Unofficial + or - High/Low (cents/lb) 2 per tonne
Cash	82.8 - 5.0 (82.8/83.0)
3 months	84.5 - 5.5 (84.5/85.0)

Official closing (am): Cash 82.8 (82.8); three months 84.5 (84.5); settlement 82.8 (82.8). Final Kero Close: 84.5. Turnover: 12,075 tonnes.

COPPER

Unofficial + or - High/Low (cents/lb) 2 per tonne

	Unofficial + or - High/Low (cents/lb) 2 per tonne
Cash	112.6 - 0.1 (112.6/112.7)
3 months	114.5 - 0.1 (114.5/114.6)

Official closing (am): Cash 112.6 (112.6); three months 114.5 (114.5); settlement 112.6 (112.6). Final Kero Close: 114.5. Turnover: 1,414 tonnes.

LEAD

Unofficial + or - High/Low (cents/lb) 2 per tonne

	Unofficial + or - High/Low (cents/lb) 2 per tonne
Cash	302.5 - 0.5 (302.5/303.0)
3 months	305.5 - 0.5 (305.5/306.0)

Official closing (am): Cash 302.5 (302.5); three months 305.5 (305.5); settlement 302.5 (302.5). Final Kero Close: 302.5. Turnover: 5,400 tonnes.

NICKEL

Unofficial + or - High/Low (cents/lb) 2 per tonne

	Unofficial + or - High/Low (cents/lb) 2 per tonne
Cash	144.5 - 0.5 (144.5/145.0)
3 months	147.5 - 0.5 (147.5/148.0)

Official closing (am): Cash 144.5 (144.5); three months 147.5 (147.5); settlement 144.5 (144.5). Final Kero Close: 144.5. Turnover: 7,822 tonnes.

TIN

Unofficial + or - High/Low (cents/lb) 2 per tonne

	Unofficial + or - High/Low (cents/lb) 2 per tonne
Cash	2,965.75 - 1.25 (2,965.75/2,967.00)
3 months	2,987.50 - 1.25 (2,987.50/2,988.75)

Official closing (am): Cash 2,965.75 (2,965.75); three months 2,987.50 (2,987.50); settlement 2,965.75 (2,965.75). Final Kero Close: 2,965.75. Turnover: 1,470 tonnes.

ZINC

Unofficial + or - High/Low (cents/lb) 2 per tonne

	Unofficial + or - High/Low (cents/lb) 2 per tonne
Cash	580.0 - 1.0 (580.0/581.0)
3 months	590.0 - 1.0 (590.0/591.0)

Official closing (am): Cash 580.0 (580.0); three months 590.0 (590.0); settlement 580.0 (580.0). Final Kero Close: 580.0. Turnover: 42,100 tonnes.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

	June 11	June 11 + or - Month
METALS		
Aluminium	82.8	+0.1
Copper	112.6	+0.1
Lead	302.5	+0.5
Nickel	144.5	+0.5
Tin	2,965.75	+1.25
Zinc	580.0	+1.0

GOLD

Gold rose \$3 an ounce from Monday's close to \$319.10 in London. The metal opened at \$319.10 and traded between \$319.10 and \$319.10. After an early sell-off in Europe, renewed buying developed out of the U.S., helped by the dollar's weaker trend.

GOLD BULLION (fine ounce) June 11

	June 11	June 11 + or - Month
Cash	319.10	+0.10
3 months	320.50	+0.10

SILVER

Silver rose \$0.05 an ounce from Monday's close to \$10.05 in London. The metal opened at \$10.05 and traded between \$10.05 and \$10.05. After an early sell-off in Europe, renewed buying developed out of the U.S., helped by the dollar's weaker trend.

SILVER BULLION (fine ounce) June 11

	June 11	June 11 + or - Month
Cash	10.05	+0.05
3 months	10.10	+0.05

FREIGHT FUTURES

The traded volume was greatly improved today and can be attributed to the good time trading that followed strong commission houses and trade selling, October and January records low of 810 but improved slightly on the closing call, reports Clarkson Wolf. The Baltic Freight Index was 82.5, down 0.5.

FREIGHT FUTURES

	June 11	June 11 + or - Month
July	82.5	+0.5
Aug	82.5	+0.5
Sept	82.5	+0.5
Oct	82.5	+0.5
Nov	82.5	+0.5
Dec	82.5	+0.5
Jan	82.5	+0.5
Feb	82.5	+0.5
Mar	82.5	+0.5
Apr	82.5	+0.5
May	82.5	+0.5
June	82.5	+0.5

INDICES

In tonnes unless otherwise stated

	June 11	June 11 + or - Month
FINANCIAL TIMES		
June 10-June 7, 1984	276.48	+0.48
June 10-June 7, 1984	276.48	+0.48

REUTERS

	June 11	June 11 + or - Month
June 10-June 7, 1984	276.48	+0.48
June 10-June 7, 1984	276.48	+0.48

MOODY'S

	June 11	June 11 + or - Month
June 10-June 7, 1984	276.48	+0.48
June 10-June 7, 1984	276.48	+0.48

DOW JONES

	June 11	June 11 + or - Month
June 10-June 7, 1984	276.48	+0.48
June 10-June 7, 1984	276.48	+0.48

COCOA

Futures were more active today and closed on a reasonably steady note with the near positions appreciating some 25c on the market. The market was active with both producers and consumers making light work of the market for new crop cocoa, reports Giff & Duffin.

SUGAR

London Daily Price—Raw sugar rose 1/2 cent from Monday's close to 12.50 in London. The market opened at 12.50 and traded between 12.50 and 12.50. After an early sell-off in Europe, renewed buying developed out of the U.S., helped by the dollar's weaker trend.

SUGAR BULLION (fine ounce) June 11

	June 11	June 11 + or - Month
Cash	12.50	+0.50
3 months	12.50	+0.50

OIL

In tonnes unless otherwise stated

	June 11	June 11 + or - Month
FINANCIAL TIMES		
June 10-June 7, 1984	276.48	+0.48
June 10-June 7, 1984	276.48	+0.48

REUTERS

	June 11	June 11 + or - Month
June 10-June 7, 1984	276.48	+0.48
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SUGAR BULLION (fine ounce) June 11

	June 11	June 11 + or - Month
Cash	12.50	+0.50
3 months	12.50	+0.50

GAS OIL FUTURES

In tonnes unless otherwise stated

	June 11	June 11 + or - Month
FINANCIAL TIMES		
June 10-June 7, 1		

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar lacks inspiration

The dollar finished slightly weaker overall in currency markets yesterday but remained within its recent trading levels. There were no new factors to influence the market, and although the U.S. retained a fairly bullish undertone, the absence of any fresh economic data inhibited the desire to push it beyond DM 3.12 against the D-mark. Tomorrow's release of U.S. retail sales figures and these are likely to assume greater importance than usual in influencing market sentiment.

The dollar closed at DM 3.0880 from DM 3.1020, having found support after touching a low of DM 3.08. Elsewhere it finished at SwFr 2.5880 from SwFr 2.6120 and Y250.45 compared with Y250.45. Against the French franc it ended at FF 163.15 from FF 163.15. On Bank of England figures, the dollar's exchange rate index fell from 146.3 to 145.7.

STERLING — Trading range against the dollar in 1985 is 1.2945 to 1.6325. May average

Small recovery

The dollar finished towards the day's low in Frankfurt. It closed at DM 3.0870 after a fixing level of DM 3.0870 and compared with Monday's fixing of DM 3.0972 and a close of DM 3.1020. There were no new factors to influence trading and the dollar remained confined to its recent trading range.

STERLING INDEX

June 11	Previous
9.30 am	79.2
10.00 am	79.3
11.00 am	79.3
Noon	79.3
1.00 pm	79.3
2.00 pm	79.3
3.00 pm	79.3
4.00 pm	79.3

£ IN NEW YORK

June 11	Prev. close
2 spot	151.2885-1.2885 (1.5940-1.2885)
1 month	151.2885-1.2885 (1.5940-1.2885)
3 month	151.2885-1.2885 (1.5940-1.2885)
6 month	151.2885-1.2885 (1.5940-1.2885)
12 month	151.2885-1.2885 (1.5940-1.2885)

Forward premiums and discounts apply to the U.S. dollar

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	% change
Belgian franc	44.500	+0.000
Dutch guilder	3.6037	+0.000
French franc	6.5596	+0.000
German D-mark	2.3636	+0.000
Italian lire	1.936	+0.000
Portuguese escudo	200.482	+0.000
Spanish peseta	166.639	+0.000
Swiss franc	2.0	+0.000
U.S. dollar	79.2	+0.000

POUND SPOT-FORWARD AGAINST POUND

June 11	Day's spread	Close	One month	Three months	%
U.S.	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Canada	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
France	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Germany	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Italy	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Japan	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Netherlands	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Sweden	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Switzerland	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
U.K.	1.2900-1.2970	1.2935	1.2935	1.2935	4.84

DOLLAR SPOT-FORWARD AGAINST DOLLAR

June 11	Day's spread	Close	One month	Three months	%
U.S.	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Canada	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
France	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Germany	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Italy	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Japan	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Netherlands	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Sweden	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
Switzerland	1.2900-1.2970	1.2935	1.2935	1.2935	4.84
U.K.	1.2900-1.2970	1.2935	1.2935	1.2935	4.84

OTHER CURRENCIES

June 11	£	¥	DM	FF	DM	FF
Argentina Peso	930.80-938.90	738.10-750.70	1.5000-1.5070	1.5000-1.5070	1.5000-1.5070	1.5000-1.5070
Australia Dollar	1.9935-1.9975	1.5000-1.5070	1.5000-1.5070	1.5000-1.5070	1.5000-1.5070	1.5000-1.5070
Brazil Cruzeiro	7.075-7.115	5.510-5.530	5.510-5.530	5.510-5.530	5.510-5.530	5.510-5.530
Canada Dollar	1.2900-1.2970	1.2935	1.2935	1.2935	1.2935	1.2935
Denmark Krone	1.2900-1.2970	1.2935	1.2935	1.2935	1.2935	1.2935
France Franc	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596
Germany D-mark	2.3636	2.3636	2.3636	2.3636	2.3636	2.3636
Italy Lire	1.936	1.936	1.936	1.936	1.936	1.936
Japan Yen	166.639	166.639	166.639	166.639	166.639	166.639
Netherlands Guilder	3.6037	3.6037	3.6037	3.6037	3.6037	3.6037
Portugal Escudo	200.482	200.482	200.482	200.482	200.482	200.482
Spain Peseta	166.639	166.639	166.639	166.639	166.639	166.639
Sweden Krona	4.84	4.84	4.84	4.84	4.84	4.84
Switzerland Franc	2.0	2.0	2.0	2.0	2.0	2.0
U.K. Pound	1.0	1.0	1.0	1.0	1.0	1.0
U.S. Dollar	79.2	79.2	79.2	79.2	79.2	79.2

CURRENCY MOVEMENTS

June 11	Bank of England	Change %
U.S. Dollar	145.7	-0.4
Canada Dollar	145.7	-0.4
France Franc	145.7	-0.4
Germany D-mark	145.7	-0.4
Italy Lire	145.7	-0.4
Japan Yen	145.7	-0.4
Netherlands Guilder	145.7	-0.4
Sweden Krona	145.7	-0.4
Switzerland Franc	145.7	-0.4
U.K. Pound	145.7	-0.4
U.S. Dollar	145.7	-0.4

CURRENCY RATES

June 11	Bank of England	Change %
U.S. Dollar	145.7	-0.4
Canada Dollar	145.7	-0.4
France Franc	145.7	-0.4
Germany D-mark	145.7	-0.4
Italy Lire	145.7	-0.4
Japan Yen	145.7	-0.4
Netherlands Guilder	145.7	-0.4
Sweden Krona	145.7	-0.4
Switzerland Franc	145.7	-0.4
U.K. Pound	145.7	-0.4
U.S. Dollar	145.7	-0.4

EXCHANGE CROSS RATES

June 11	£	¥	DM	FF	DM	FF
Argentina Peso	930.80-938.90	738.10-750.70	1.5000-1.5070	1.5000-1.5070	1.5000-1.5070	1.5000-1.5070
Australia Dollar	1.9935-1.9975	1.5000-1.5070	1.5000-1.5070	1.5000-1.5070	1.5000-1.5070	1.5000-1.5070
Brazil Cruzeiro	7.075-7.115	5.510-5.530	5.510-5.530	5.510-5.530	5.510-5.530	5.510-5.530
Canada Dollar	1.2900-1.2970	1.2935	1.2935	1.2935	1.2935	1.2935
Denmark Krone	1.2900-1.2970	1.2935	1.2935	1.2935	1.2935	1.2935
France Franc	6.5596	6.5596	6.5596	6.5596	6.5596	6.5596
Germany D-mark	2.3636	2.3636	2.3636	2.3636	2.3636	2.3636
Italy Lire	1.936	1.936	1.936	1.936	1.936	1.936
Japan Yen	166.639	166.639	166.639	166.639	166.639	166.639
Netherlands Guilder	3.6037	3.6037	3.6037	3.6037	3.6037	3.6037
Portugal Escudo	200.482	200.482	200.482	200.482	200.482	200.482
Spain Peseta	166.639	166.639	166.639	166.639	166.639	166.639
Sweden Krona	4.84	4.84	4.84	4.84	4.84	4.84
Switzerland Franc	2.0	2.0	2.0	2.0	2.0	2.0
U.K. Pound	1.0	1.0	1.0	1.0	1.0	1.0
U.S. Dollar	79.2	79.2	79.2	79.2	79.2	79.2

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 11	U.S. Dollar	Canadian Dollar	Dutch Guilder	French Franc	German D-mark	Italian Lire	Japanese Yen	Swiss Franc	U.K. Pound
Overnight	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
One month	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Three months	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Six months	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
One year	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4

MONEY MARKETS

Rates static in very quiet trading

Interest rates showed hardly any change in London yesterday in very quiet trading. Sterling was little changed and there did not appear to be any new factors to influence the market. Attention is already moving to the Opec meeting at the end of this month and some dealers suggest that even this may fall in line with any new stimulus. Three-month eligible bank bills were bid at 12 per cent against

MONEY RATES

June 11	Frankfurt	Paris	Zurich	Amsterdam	Tokyo	Milan	Brussels	Dublin
Overnight	8.45-8.55	10 1/4	8 1/2	8 1/2	8.03-8.15	10 1/4	8 1/2	10 1/4
One month	8.45-8.55	10 1/4	8 1/2	8 1/2	8.03-8.15	10 1/4	8 1/2	10 1/4
Three months	8.45-8.55	10 1/4	8 1/2	8 1/2	8.03-8.15	10 1/4	8 1/2	10 1/4
Six months	8.45-8.55	10 1/4	8 1/2	8 1/2	8.03-8.15	10 1/4	8 1/2	10 1/4
One year	8.45-8.55	10 1/4	8 1/2	8 1/2	8.03-8.15	10 1/4	8 1/2	10 1/4

LONDON MONEY RATES

June 11	Overnight	One month	Three months	Six months	One year
U.S. Dollar	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Canada Dollar	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
France Franc	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Germany D-mark	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Italy Lire	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Japan Yen	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Netherlands Guilder	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Sweden Krona	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Switzerland Franc	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
U.K. Pound	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
U.S. Dollar	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4

DISCOUNT HOUSES DEPOSIT AND BILL RATES

June 11	Overnight	One month	Three months	Six months	One year
U.S. Dollar	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Canada Dollar	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
France Franc	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Germany D-mark	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Italy Lire	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Japan Yen	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Netherlands Guilder	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Sweden Krona	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
Switzerland Franc	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
U.K. Pound	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4
U.S. Dollar	12 1/4	12 1/4	12 1/4	12 1/4	12 1/4

FT LONDON INTERBANK FIXING

(11.00 a.m. June 11)

Three months U.S. dollars

bid 7 1/16 offer 7 1/16

Six months U.S. dollars

bid 7 1/4 offer 7 1/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for the money market at 11 a.m. on the day of the fixing. The banks are National Westminster Bank, Bank of Tokyo, Westminister Bank, Bank of London, Deutsche Bank, Banque Paribas, and Morgan Guaranty Trust.

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(11.00 a.m. June 11)

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Three months U.S. dollars

bid 7 1/16 offer 7 1/16

Six months U.S. dollars

bid 7 1/4 offer 7 1/4

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for the money market at 11 a.m. on the day of the fixing. The banks are National Westminster Bank, Bank of Tokyo, Westminister Bank, Bank of London, Deutsche Bank, Banque Paribas, and Morgan Guaranty Trust.

FINANCIAL FUTURES

Small recovery

Euro-dollar prices finished towards the best level of the day in the London International Financial Futures Exchange yesterday. Much of the day's activity was confined to chart trading in the absence of any fresh economic data. The effects of last Friday's U.S. unemployment figures appeared to be wearing off and prices retained a generally bullish undertone and expectations that statistics due for release later this week would fail to show any upturn in economic activity.

Comments by Martha Seger, Governor of the U.S. Federal Reserve Board, gave rise to

Small recovery

market hopes that the Fed may take a more accommodative stance if the U.S. economy fails to pick up towards the end of this year and this helped values to finish close to the day's highs.

Sterling-based instruments tended to reflect the fortunes of the pound against the dollar and unlike the Euro-dollar sector where there was a reasonable volume, three month sterling deposits contracts suffered from a lack of participation and quotations were confined to a very narrow range. Both short sterling and gilt prices finished up on the day.



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INDUSTRIALS *Continued*

		PROPERTY—Continued									
		Type		Block		Price		Per Sq Ft		Per Acre	
		High	Low								
132	136.1	203	287	132	287	287	287	9.8	1.4	1.4	1.4
133	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
134	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
135	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
136	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
137	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
138	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
139	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
140	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
141	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
142	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
143	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
144	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
145	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
146	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
147	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
148	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
149	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
150	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
151	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
152	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
153	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
154	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
155	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
156	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
157	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
158	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
159	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
160	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
161	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
162	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
163	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
164	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
165	137.										
166	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
167	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
168	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
169	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
170	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
171	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
172	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
173	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
174	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
175	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
176	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
177	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
178	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
179	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
180	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
181	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
182	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
183	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
184	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
185	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
186	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
187	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
188	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
189	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
190	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
191	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
192	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
193	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
194	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
195	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
196	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
197	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
198	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
199	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
200	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
201	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
202	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
203	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
204	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
205	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
206	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
207	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
208	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
209	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
210	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
211	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
212	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
213	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
214	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
215	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
216	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
217	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
218	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
219	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
220	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
221	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
222	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
223	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
224	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
225	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
226	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
227	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
228	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
229	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
230	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
231	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
232	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
233	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
234	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
235	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
236	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
237	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
238	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
239	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
240	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
241	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
242	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
243	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
244	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
245	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
246	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
247	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
248	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
249	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
250	137.2	134	134	134	134	134	134	10.3	2.8	2.8	2.8
251	137.2	134									

INVESTMENT TRUSTS—Cont.									
	1985	Stock	Price	Yld	Div	Yld	Div	Yld	Div
	Low	High		%	\$	%	\$	%	\$
156	130	European Assets DFL	146	—	—	—	—	—	—
157	85	F & C Alliance Inc.	125	—	—	—	—	—	—
158	144	F & C Pacific Inc. T.	139	—	—	—	—	—	—
159	227	Family Inv. Inc.	227	—	—	—	—	—	—
160	279	First Capital Corp.	279	—	—	—	—	—	—
161	279	First Capital Corp.	279	—	—	—	—	—	—
162	279	First Capital Corp.	279	—	—	—	—	—	—
163	279	First Capital Corp.	279	—	—	—	—	—	—
164	279	First Capital Corp.	279	—	—	—	—	—	—
165	279	First Capital Corp.	279	—	—	—	—	—	—
166	279	First Capital Corp.	279	—	—	—	—	—	—
167	279	First Capital Corp.	279	—	—	—	—	—	—
168	279	First Capital Corp.	279	—	—	—	—	—	—
169	279	First Capital Corp.	279	—	—	—	—	—	—
170	279	First Capital Corp.	279	—	—	—	—	—	—
171	279	First Capital Corp.	279	—	—	—	—	—	—
172	279	First Capital Corp.	279	—	—	—	—	—	—
173	279	First Capital Corp.	279	—	—	—	—	—	—
174	279	First Capital Corp.	279	—	—	—	—	—	—
175	279	First Capital Corp.	279	—	—	—	—	—	—
176	279	First Capital Corp.	279	—	—	—	—	—	—
177	279	First Capital Corp.	279	—	—	—	—	—	—
178	279	First Capital Corp.	279	—	—	—	—	—	—
179	279	First Capital Corp.	279	—	—	—	—	—	—
180	279	First Capital Corp.	279	—	—	—	—	—	—
181	279	First Capital Corp.	279	—	—	—	—	—	—
182	279	First Capital Corp.	279	—	—	—	—	—	—
183	279	First Capital Corp.	279	—	—	—	—	—	—
184	279	First Capital Corp.	279	—	—	—	—	—	—
185	279	First Capital Corp.	279	—	—	—	—	—	—
186	279	First Capital Corp.	279	—	—	—	—	—	—
187	279	First Capital Corp.	279	—	—	—	—	—	—
188	279	First Capital Corp.	279	—	—	—	—	—	—
189	279	First Capital Corp.	279	—	—	—	—	—	—
190	279	First Capital Corp.	279	—	—	—	—	—	—
191	279	First Capital Corp.	279	—	—	—	—	—	—
192	279	First Capital Corp.	279	—	—	—	—	—	—
193	279	First Capital Corp.	279	—	—	—	—	—	—
194	279	First Capital Corp.	279	—	—	—	—	—	—
195	279	First Capital Corp.	279	—	—	—	—	—	—
196	279	First Capital Corp.	279	—	—	—	—	—	—
197	279	First Capital Corp.	279	—	—	—	—	—	—
198	279	First Capital Corp.	279	—	—	—	—	—	—
199	279	First Capital Corp.	279	—	—	—	—	—	—
200	279	First Capital Corp.	279	—	—	—	—	—	—

OIL AND GAS

1985	High	Low	Stock	Price	Chg	Div	Yld	Net	Cor
							Ctr	Gr	P/E
146	100	100	Atlantic Richfield Inc.	100	0	0	0	0	0
147	65	65	Amoco Corp.	65	0	0	0	0	0
148	74	74	Exxon Corp.	74	0	0	0	0	0
149	100	100	Marathon Petroleum	100	0	0	0	0	0
150	100	100	Phillips 66	100	0	0	0	0	0
151	100	100	Shell Int'l. Petroleum	100	0	0	0	0	0
152	100	100	Standard Oil of Ind.	100	0	0	0	0	0
153	100	100	Standard Oil of Ohio	100	0	0	0	0	0
154	100	100	Union Carbide Corp.	100	0	0	0	0	0
155	100	100	W. Va. Petroleum	100	0	0	0	0	0
156	100	100	W. Va. Petroleum	100	0	0	0	0	0
157	100	100	W. Va. Petroleum	100	0	0	0	0	0
158	100	100	W. Va. Petroleum	100	0	0	0	0	0
159	100	100	W. Va. Petroleum	100	0	0	0	0	0
160	100	100	W. Va. Petroleum	100	0	0	0	0	0
161	100	100	W. Va. Petroleum	100	0	0	0	0	0
162	100	100	W. Va. Petroleum	100	0	0	0	0	0
163	100	100	W. Va. Petroleum	100	0	0	0	0	0
164	100	100	W. Va. Petroleum	100	0	0	0	0	0
165	100	100	W. Va. Petroleum	100	0	0	0	0	0
166	100	100	W. Va. Petroleum	100	0	0	0	0	0
167	100	100	W. Va. Petroleum	100	0	0	0	0	0
168	100	100	W. Va. Petroleum	100	0	0	0	0	0
169	100	100	W. Va. Petroleum	100	0	0	0	0	0
170	100	100	W. Va. Petroleum	100	0	0	0	0	0
171	100	100	W. Va. Petroleum	100	0	0	0	0	0
172	100	100	W. Va. Petroleum	100	0	0	0	0	0
173	100	100	W. Va. Petroleum	100	0	0	0	0	0
174	100	100	W. Va. Petroleum	100	0	0	0	0	0
175	100	100	W. Va. Petroleum	100	0	0	0	0	0
176	100	100	W. Va. Petroleum	100	0	0	0	0	0
177	100	100	W. Va. Petroleum	100	0	0	0	0	0
178	100	100	W. Va. Petroleum	100	0	0	0	0	0
179	100	100	W. Va. Petroleum	100	0	0	0	0	0
180	100	100	W. Va. Petroleum	100	0	0	0	0	0
181	100	100	W. Va. Petroleum	100	0	0	0	0	0
182	100	100	W. Va. Petroleum	100	0	0	0	0	0
183	100	100	W. Va. Petroleum	100	0	0	0	0	0
184	100	100	W. Va. Petroleum	100	0	0	0	0	0
185	100	100	W. Va. Petroleum	100	0	0	0	0	0
186	100	100	W. Va. Petroleum	100	0	0	0	0	0
187	100	100	W. Va. Petroleum	100	0	0	0	0	0
188	100	100	W. Va. Petroleum	100	0	0	0	0	0
189	100	100	W. Va. Petroleum	100	0	0	0	0	0
190	100	100	W. Va. Petroleum	100	0	0	0	0	0
191	100	100	W. Va. Petroleum	100	0	0	0	0	0
192	100	100	W. Va. Petroleum	100	0	0	0	0	0
193	100	100	W. Va. Petroleum	100	0	0	0	0	0
194	100	100	W. Va. Petroleum	100	0	0	0	0	0
195	100	100	W. Va. Petroleum	100	0	0	0	0	0
196	100	100	W. Va. Petroleum	100	0	0	0	0	0
197	100	100	W. Va. Petroleum	100	0	0	0	0	0
198	100	1							

MINES—Continued

1985	High	Low	Stock	Price	Chg	Div	Yld	Net	Cor
							Ctr	Gr	P/E
135	115	115	Alcoa Corp.	115	0	0	0	0	0
136	115	115	Alcoa Corp.	115	0	0	0	0	0
137	115	115	Alcoa Corp.	115	0	0	0	0	0
138	115	115	Alcoa Corp.	115	0	0	0	0	0
139	115	115	Alcoa Corp.	115	0	0	0	0	0
140	115	115	Alcoa Corp.	115	0	0	0	0	0
141	115	115	Alcoa Corp.	115	0	0	0	0	0
142	115	115	Alcoa Corp.	115	0	0	0	0	0
143	115	115	Alcoa Corp.	115	0	0	0	0	0
144	115	115	Alcoa Corp.	115	0	0	0	0	0
145	115	115	Alcoa Corp.	115	0	0	0	0	0
146	115	115	Alcoa Corp.	115	0	0	0	0	0
147	115	115	Alcoa Corp.	115	0	0	0	0	0
148	115	115	Alcoa Corp.	115	0	0	0	0	0
149	115	115	Alcoa Corp.	115	0	0	0	0	0
150	115	115	Alcoa Corp.	115	0	0	0	0	0
151	115	115	Alcoa Corp.	115	0	0	0	0	0
152	115	115	Alcoa Corp.	115	0	0	0	0	0
153	115	115	Alcoa Corp.	115	0	0	0	0	0
154	115	115	Alcoa Corp.	115	0	0	0	0	0
155	115	115	Alcoa Corp.	115	0	0	0	0	0
156	115	115	Alcoa Corp.	115	0	0	0	0	0
157	115	115	Alcoa Corp.	115	0	0	0	0	0
158	115	115	Alcoa Corp.	115	0	0	0	0	0
159	115	115	Alcoa Corp.	115	0	0	0	0	0
160	115	115	Alcoa Corp.	115	0	0	0	0	0
161	115	115	Alcoa Corp.	115	0	0	0	0	0
162	115	115	Alcoa Corp.	115	0	0	0	0	0
163	115	115	Alcoa Corp.	115	0	0	0	0	0
164	115	115	Alcoa Corp.	115	0	0	0	0	0
165	115	115	Alcoa Corp.	115	0	0	0	0	0
166	115	115	Alcoa Corp.	115	0	0	0	0	0
167	115	115	Alcoa Corp.	115	0	0	0	0	0
168	115	115	Alcoa Corp.	115	0	0	0	0	0
169	115	115	Alcoa Corp.	115	0	0	0	0	0
170	115	115	Alcoa Corp.	115	0	0	0	0	0
171	115	115	Alcoa Corp.	115	0	0	0	0	0
172	115	115	Alcoa Corp.	115	0	0	0	0	0
173	115	115	Alcoa Corp.	115	0	0	0	0	0
174	115	115	Alcoa Corp.	115	0	0	0	0	0
175	115	115	Alcoa Corp.	115	0	0	0	0	0
176	115	115	Alcoa Corp.	115	0	0	0	0	0
177	115	115	Alcoa Corp.	115	0	0	0	0	0
178	115	115	Alcoa Corp.	115	0	0	0	0	0
179	115	115	Alcoa Corp.	115	0	0	0	0	0
180	115	115	Alcoa Corp.	115	0	0	0	0	0
181	115	115	Alcoa Corp.	115	0	0	0	0	0
182	115	115	Alcoa Corp.	115	0	0	0	0	0
183	115	115	Alcoa Corp.	115	0	0	0	0	0
184	115	115	Alcoa Corp.	115	0	0	0	0	0
185	115	115	Alcoa Corp.	115	0	0	0	0	0
186	115	115	Alcoa Corp.	115	0	0	0	0	0
187	115	115	Alcoa Corp.	115	0	0	0	0	0
188	115	115	Alcoa Corp.	115	0	0	0	0	0
189	115	115	Alcoa Corp.	115	0	0	0	0	0
190	115	115	Alcoa Corp.	115	0	0	0	0	0
191	115	115	Alcoa Corp.	115	0	0	0	0	0
192	115	115	Alcoa Corp.	115	0	0	0	0	0
193	115	115	Alcoa Corp.	115	0	0	0	0	0
194	115	115	Alcoa Corp.	115	0	0	0	0	0
195	115	115	Alcoa Corp.	115	0	0	0	0	0
196	115	115	Alcoa Corp.	115	0	0	0	0	0
197	115	115	Alcoa Corp.	115	0	0	0	0	0
198	115	115	Alcoa Corp.	115	0	0	0	0	0
199	115	115	Alcoa Corp.	115	0	0	0	0	0
200	115	115	Alcoa Corp.	115	0	0	0	0	0
201	115	115	Alcoa Corp.	115	0	0	0	0	0
202	115	115	Alcoa Corp.	115	0	0	0	0	0
203	115	115	Alcoa Corp.	115	0	0	0	0	0
204	115	115	Alcoa Corp.	115	0	0	0	0	0
205	115	115	Alcoa Corp.	115	0	0	0	0	0
206	115	115	Alcoa Corp.	115	0	0	0	0	0
207	115	115	Alcoa Corp.	115	0	0	0	0	0
208	115	115	Alcoa Corp.	115	0	0	0	0	0
209	115	115	Alcoa Corp.	115	0	0	0	0	0
210	115	115	Alcoa Corp.	115	0	0	0	0	0
211	115	115	Alcoa Corp.	115	0	0	0	0	0
212	115	115	Alcoa Corp.	115	0	0	0	0	0
213	115	115	Alcoa Corp.	115	0	0	0	0	0
214	115	115	Alcoa Corp.	115	0	0	0	0	0
215	115	115	Alcoa Corp.	115	0	0	0	0	0
216	115	115	Alcoa Corp.	115	0	0	0	0	0
217	115	115	Alcoa Corp.	115	0	0	0	0	0
218	115	115	Alcoa Corp.	115	0	0	0	0	0
219	115	115	Alcoa Corp.	115	0	0	0	0	0
220	115	115	Alcoa Corp.	115	0	0	0	0	0
221	115	115	Alcoa Corp.	115	0	0	0	0	0
222	115	115	Alcoa Corp.	115	0	0	0	0	0
223	115	115	Alcoa Corp.	115	0	0	0	0	0
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225	115	115	Alcoa Corp.	115	0	0	0	0	0
226	115	115	Alcoa Corp.	115	0	0	0	0	0
227	115	115	Alcoa Corp.	115	0	0	0	0	0
228	115	115	Alcoa Corp.	115	0	0	0	0	0
229	115	115	Alcoa Corp.	115	0	0	0	0	0
230	115	115	Alcoa Corp.	115	0	0	0	0	0
231	115	115	Alcoa Corp.	115	0	0	0	0	0
232	115	115	Alcoa Corp.	115	0	0	0	0	0
233	115	115	Alcoa Corp.	115	0	0	0	0	0
234	115	115	Alcoa Corp.	115	0	0	0	0	0
235	115	115	Alcoa Corp.	115	0	0	0	0	0
236	115	115	Alcoa Corp.	115	0	0	0	0	0
237	115	115	Alcoa Corp.	115	0	0	0	0	0
238	115	115	Alcoa Corp.	115	0	0	0	0	0
239	115	115	Alcoa Corp.	115	0	0	0	0	0
240	115	115	Alcoa Corp.	115	0	0	0	0	0
241	115	115	Alcoa Corp.	115	0	0	0	0	0
242	115	115	Alcoa Corp.	115	0	0	0	0	0
243	115	115	Alcoa Corp.	115	0	0	0	0	0
244	115	115	Alcoa Corp.	115	0	0	0		

[illegible]

- * Highs and Lows marked that have been adjusted to allow for rights for cash.
- * Interest since increased or resumed.
- * Interest since reduced, paused or deferred.
- * Tax-free to non-residents on application.
- * Figures or reports issued.
- * New identity UK listed, dealings permitted under Rule 535/41A.
- * US\$; not listed on Stock Exchange and company not subjected to degree of regulation as listed securities.
- * Dealt in under Rule 535/31.
- * Price at time of suspension.
- * Indicated and showed all rights, scrip and/or rights issue; cover less premiums discount or forward.
- * Merged but reorganisation in progress.
- * Not comparable.
- * Same information reduced final and/or reduced earnings indicated.
- * Forecast dividend; cover on earnings application as listed interim sales.
- * Cover allows for conversion of shares not now required for dividend.

[illegible]

estimates for 1984-85; α Assumed dividend and yield after dividend sweep-up or rights issue; β Dividend and yield based on prospectus or other official estimates for 1984; γ F -figures based on prospectus or official estimates for 1984; δ Dividend and yield based on prospectus or other official estimates for 1985-86; ϵ Dividend and yield based on prospectus or other official estimates for 1985; ζ F -figures based on prospectus or other official estimates for 1985; η G -figure; θ F -figures assumed; ι Dividend total to date
Abbreviations: α ex dividend; β ex scrip issue; γ ex rights; δ ex alt; capital distribution.

Albany Inc 20p	180	Ampel	175	
Craig & Rose Cl.	63	Art Hagen	90	
Fidelity Inv.	63	Bellows	134	
Higgins Bros	228	Dublin Gas	57	
High Lead 25p	63	Hall (R. & S.)	53	
ICI Mil. Cl.	82	Heaton Hdg.	16	-2
		Irish Ropes	43	
		Jacob Wm & J.	80	
		Ulcaster	85	+2

Industrials	F	GKN	17	Turner Newall	1
Albert-Lyons	16	Manston Tst.	17½	Unilever	2
SAT	32	Hawker Sidde	38	Vickers	1
BOC Grp.	25	Hse of Froese	30	Property	
BSR	16	ICI	60		
BTR	32	Imperial	28	Brk Land	1
Babcock	14	Jaguar	28	Cas Counties	1
Bacancy	48				
Banister	16				

Blue Circle	45	Legal & Gen	58	MEPC	
Boots	15	Lex Service	29	Peashey	2
Bowaters	20	Lloyd's Bank	25	Samuel Pons	1
Brit Aerospace	33	Lucas Int	45		
Brit. Telecom	11	Marika & Spcr	11	Wls	
Brown L.J.	3	Midland Bk	38	Brits, Oil & Mtl	
Burton Oil	39	WEL		Brit Petroleum	4
Canal	24	Wes Bk	32	Brit. Telecom	1
Com. Union	19	P & O Dtd	34	Charterhall	
Comstar	12	Plessey	17	Premier	
Debenhams	17	Polys Fed	26	Shell	

Disasters	28	Racial Elect	18	Tragedies	1
Dynalco	6	RHM	11	Ultramar	2
ENFC	61	Stank Ore Ord	52		
Gen Accounting	48	Steel Impl	30	Wastes	
Gen Electric	17	Teas	9	Charter Cars	12
Glass	85	Ti	28	Cas. Gold	14
Grand Met	25	Tesco	20	Lomax	1
GUS 'A'	60	Thom Etl	15	Rio T Zinc	5
Guardian	60	Trust Houses	35		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 34
This service is available to every Company dealt in on SE
Exchanges throughout the United Kingdom for a fee of £800
annum for each security.

Prices at 3pm, June 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Continued on Page 41

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FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Indecision before further data

INDECISION persisted during trading on Wall Street yesterday as professional traders and investors awaited further indications on the progress of the U.S. economy, writes Terry Byland in New York.

Attention is focused on federal data expected later this week relating to retail sales, consumer credit and industrial production which may dispel the uncertainty restraining the markets.

The comment from Ms Martha Seger, a Fed Governor, that the board is pursuing a "very flexible" monetary policy failed to give a much awaited lead.

At 2pm the Dow Jones industrial average was 4.37 lower at 1,314.07.

The federal bond market remained steady, and the Treasury bond futures contract, which broke through a significant resistance point on Monday, continued to advance. Utility stocks, often an indicator of views on interest rates, were firmer. But the rest of the stock market traded around its recent levels, with takeover stocks and special situations providing the features.

The blue chip equities, however, weakened at mid-session after another round of unsettling news from the technology sector. Burroughs and Sperry disclosed workforce layoffs, and North American Philips and Storage Technology predicted reduced profits.

The gloomy news from the technology sector reversed an attempt by the market to rally from a dull start. Stock in North American Philips, which has technical and licensing agreements with Philips of Eindhoven, the Dutch electronics firm, tumbled by 3% to \$38 after predicting a loss for the quarter and the full year. The board's reference to worldwide competition follows similar comments from the consumer electronics industry.

Storage Technology, already under Chapter 11 of the bankruptcy laws eased by 5% to \$24 following the board's forecast of a \$30m loss for the first quarter of the year.

At 360%, Burroughs were 5% off, after an initial rise melted away following the layoff of workers. The rest of the high-tech sector looked gloom. IBM at \$126 was \$1 down in thin trading and others to turn down included Control Data 5% off at \$30, and Digital Equipment down \$3 at \$95 in brisk trading.

But the acquisition by General Motors of Hughes Aircraft reignited bid interest in some technology stocks. Wall Street knows that both Boeing and Ford Motor were active in the bid contest for Hughes, which was finally knocked down to General Motors for \$5bn.

Ford held steady at \$45, and Boeing at \$44 was off 5%.

Gulfstream Aerospace at \$184 gained 5% on reports that Chrysler, already holding an option on 20 per cent of Gulf at \$19 a share, plans to buy the rest of the equity. GM added \$4 to \$174 and Chrysler 5% to \$38.

In the search for the next technology bid victim, speculators pushed Grumman, the defence aerospace and passenger vehicle group, to \$33, a net gain of 3% despite the board's denial of any known reason, and its comment that

much of the stock is held by past and present employees.

Also active was Sperry, another takeover favourite, which jumped to \$56, before news of workforce reductions took the stock back to \$55, a net gain of 5%.

Other aerospace issues were mostly a shade easier. United Technologies eased by 5% to \$44 and General Dynamics by 5% to \$73.

Oil stocks were slightly firmer after several weak sessions. Exxon added 5% to \$51 but Atlantic Richfield at \$58 gave up 5%.

In a mixed airline sector, United plunged by 1% to \$56 in hefty turnover as investors realised that the plan to recapitalize \$900m from the pension plan reduces United's exposure as a takeover target. The other domestic carriers edged higher but Pan American shed 5% to \$64.

In pharmaceuticals, Syntex gave up a further 1% to \$62 and Merck at \$110 lost a further 5% of the recent gain. Pfizer, also vulnerable to dollar worries, gave up 5% to \$48.

Bank stocks were unaffected by the proposed IMF loan agreement with Argentina which reduces the dangers of a downgrading of bank debts. Manufacturers Hanover, a major creditor, added 5% to \$39 but BankAmerica at \$19 lost 5%. Bankers Trust slipped 5% to \$72 after two large blocks had been traded.

The success of the weekly treasury bill auction brought modest dips in short-term market rates. Bonds traded a shade below overnight, but saw little business.

TOKYO

Tempo rises on increased confidence

A SHARP revival of buying interest towards the close of trading in Tokyo yesterday boosted the prices of large-capital stocks, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei-Dow market average surged 75.50 points from the previous day to 12,758.93. Volume increased to 437.63m shares from Monday's 348.11m. Gainers matched losers at 413, with 124 issues unchanged.

The Tokyo Stock Exchange index of all first section stocks added 3.95 points to a record high of 1,008.85, eclipsing the previous peak of 1,006.96 set on March 22.

The market opened quiet, maintaining the previous day's bearish tone, but it gathered steam in the afternoon, supported by massive buy orders for large-capital issues.

The most actively traded issue was Mitsubishi Heavy Industries with 29.95m shares changing hands. It fell to ¥296 at one stage on foreign selling of 3m shares, but was bought briskly by institutional investors later to close ¥14 higher at this year's new high of ¥312.

Large steel groups fared well, with Nippon Steel, the second busiest issue with turnover of 19.11m as it rose ¥5 to ¥180. Sumitomo Metal Industries and Kawasaki Steel both advanced ¥4 to ¥154.

Blue chips gained strength on a wide front. Hitachi finished ¥15 higher at ¥745 after leaping ¥33 to ¥703, with its volume increasing from Monday's 1.75m shares to 3.58m. Matsushita Electric Industrial gained ¥30 to ¥1,480, Sony ¥80 to ¥4,170, Nippon Kagaku ¥30 to ¥1,230 and Minolta ¥42 to ¥816.

Biotechnology-related issues were in the spotlight. Shionogi added ¥30 to ¥845, Yamanouchi Pharmaceutical ¥140 to ¥2,810 and Kuraray ¥40 to ¥1,060. But Asahi Chemical lost ¥10 to ¥1,010.

Nippon Yusen, the third most active stock with 10.69m shares traded, jumped ¥14 to ¥312, reflecting investor expectations for transportation deregulation. Sumitomo Metal Mining, fourth, with 10.39m shares, jumped ¥90 to ¥1,880.

Recently selected construction were bearish. Obayashi shed ¥5 to ¥320 and Taisei Corp ¥7 to ¥256.

Bond trading was active, notably on the inter-broker market, in reaction to the strong performance of the U.S. bond market. The yield on 7.3 per cent government bonds, due in December 1993, fell sharply from the previous day's 6.520 per cent to 6.480 per cent.

SOUTH AFRICA

INDUSTRIALS ended mixed but gold shares continued to recover in Johannesburg, recouping some of the previous day's sharp losses.

Randfontein added R4 to R188 and Lo-raine gained 35 cents to R9.25 while Driefontein, which subsequently announced a higher final dividend, put on 90 cents to R46.65.

In mining financials, Anglo American rose 40 cents to R28.65 but Gold Fields fell R1.75 to R31.25.

CANADA

HEAVY trading took Toronto slightly higher, although minerals and oil and gas stocks saw small losses.

Turbo Resources, 7 cents higher at 85 cents, rose in active trading after an Alberta court approved the company's financial reorganisation.

In energy issues, Imperial Oil added C\$4 to C\$49, but more typical of that sector was Texaco Canada C\$4 lower at C\$32.4 and Dome Canada down C\$4 to C\$74.

EUROPE

Frankfurt experiences euphoria

A EUPHORIC tone returned to early trading in Frankfurt yesterday as foreign and domestic buyers re-emerged to assert control and steer the market to a new record.

The Commerzbank index rose to its third peak for the month with a 13.3 rise to 1,369.9 spurred by support for a broad range of leading industrial issues.

The market's resilience, following Monday's profit-taking, surprised market observers, particularly as it was displayed during the height of the traditionally dull German dividend season.

Many stocks closed off their peaks as caution surfaced during the afternoon under the influx of foreign buying orders.

News that a major subsidiary of the large insurance group Allianz was expecting good results for the current year sent the stock's shares surging DM 62 to DM 1,332, stamping it as one of the most significant improvers of the day.

Daimler also returned to favour after Monday's selling and led an automotive sector higher. The stock added DM 9 to DM 818. BMW, its major rival, caught up with Daimler's recent advances and closed DM 33.3 higher at DM 419.80. Volkswagen closed DM 3.90 higher at DM 276.50.

Banks, while experiencing renewed interest, were sheltered from most of the buying. Dresdner firmed 70 pf to DM 228.20 and Commerzbank shared the same increase to end at DM 265.70.

Among electrical stocks, Siemens finished up DM 10 to DM 574.50 while, AEG, long ignored during the upward drift, finished DM 2.80 higher at DM 135.80.

The bond market was stronger on increased volumes. The Bundesbank sold DM 14.1m after buying DM 28.0m on Monday.

Profit-taking from foreign sources clipped back prices in Paris, while domestic buying sources were dampened by a forecast that France's gross domestic product growth would fall to match last year's level.

Banking issues were the weakest, although engineering stocks also failed to attract interest.

Générale des Eaux came back after Monday's increase to close FFf 17 lower at FFf 733, while Moët-Hennessy continued its climb to close FFf10 higher at FFf 2,685.

Prices in Brussels continued to slide on thin volume, although traders said the fall was a further reaction to recent advances and did not reflect the market's underlying strength.

Wagon Lit was at the forefront of the profit-taking, easing a further BFf 100 to 3,300, while the retail group, GN Inno fell BFf 190 to BFf 3,630.

There was a stabilisation of prices in Amsterdam after the selling of the past few days. However, most stocks did little better than hold their levels in quiet trading.

Aegon was in particular demand ahead of its two-for-one split, which became effective on Friday, and closed FI 3.50 higher at FI 200.0.

Royal Dutch was again hit by the fears of a cut in oil prices and eased FI 1.30 to FI 192.0, while another international, Unilever added FI 1.60 to FI 349.0.

Most sectors in Zurich closed little changed as the market continued its consolidation in the wake of the strong advance.

Bank stocks were irregular with Credit Suisse firming SwFr 5 to SwFr 2,870, while the Union Bank and the Volksbank shared SwFr 10 declines to close at SwFr 3,950 and SwFr 1,680 respectively.

Several issues rose to record level in Milan as the market reacted favourably to the outcome of the referendum on wage fixing.

There was a marked increase in the volume of business as both local and foreign investors moved into the market.

Fiat climbed LI4 to LI4.45 to hit a record while Olivetti firmed a further L210 to L1,790. Montedison was another stock to hit a peak with a L58 rise to L1,779.

Madrid maintained its recent downward trend with banks again singled out for light selling.

Shares in Stockholm were again thinly traded with the Veckans Affarer index down 1.1 at 160.1.

SINGAPORE

THE UNEASE in Hong Kong flowed into Singapore and left investors worried over the extent to which local companies may be exposed to the rescued Overseas Trust Bank.

Speculation that Tan Swoon Swan, a local businessman, may hold credits from OTB took stocks in his companies lower. Supreme Corp plunged 8 cents to S\$1.42, Grand United fell 6 cents to S\$1.32 and Sigma Metal shed 5 cents to S\$2.25.

LONDON

Modest rally as mood brightens

A BRIGHTER picture was presented in London, despite a continuing dearth of activity.

The easing of inflationary pressure, as shown by the small rise in raw material prices in May, gave a boost to underlying sentiment and the FT Ordinary share index added 7.1 to 996.4.

Current bid candidates were favoured. Tate & Lyle rose 10p to 512p and Boost was 8p ahead at 193p. Elsewhere, some of the more recent speculative favourites encountered further profit-taking.

Monday's rally in U.S. bonds together with sterling's overnight improvement and the raw material trend helped promote a small recovery in Government stocks. However, business was extremely light and long-dated stocks edged ahead to settle with gains ranging to 1/4.

Chief price changes, Page 38; Details, Page 38; Share information service, Pages 36-37

AUSTRALIA

TRADERS seemed reluctant to get back into gear after the holiday weekend in Sydney and prices ended easier in dull trading.

Uncertainty over commodity prices and taxation reforms kept foreign buyers on the sidelines and the All Ordinaries index dropped 1.5 to 856.6.

Industrials, however, held their ground against the trend. Barrick added 75 cents to A\$2.75, Lend Lease put on 4 cents to A\$6.80, while Castlemaine stayed steady at A\$5.80.

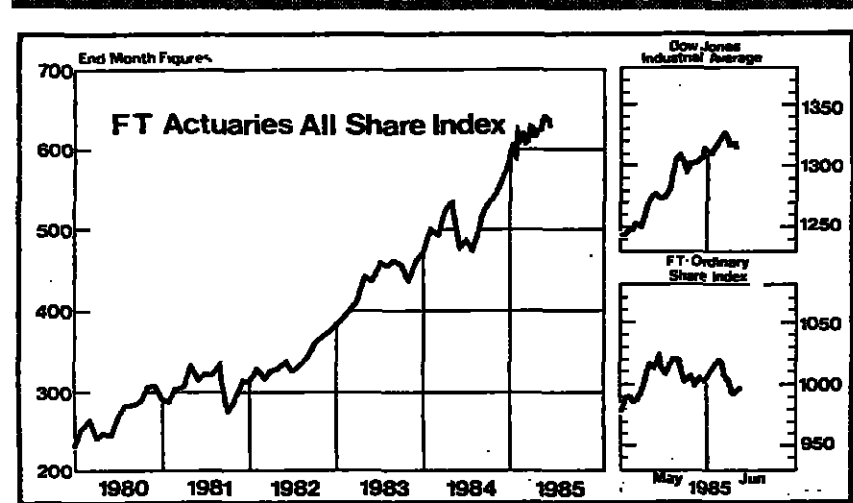
HONG KONG

RUMOURS that two more Hong Kong banks may be in trouble sent prices sharply lower.

Speculative selling in the banking sector saw Hang Seng Bank move HK\$3 easier to HK\$46.75, Bank of East Asia drop HK\$1.40 to HK\$23.50 and Wing Lung Bank HK\$3 to HK\$37.50.

Investors were also concerned about future prospects for Hongkong Industrial and Commercial Bank's shares which were suspended from trading on Friday after OTR's insolvency. The issue last traded at HK\$3.80.

KEY MARKET MONITORS



STOCK MARKET INDICES			
	June 11	Previous	Year ago
NEW YORK			
DJ Industrials	1,314.07	1,318.44	1,115.61
DJ Transport	651.45	653.79	489.24
DJ Utilities	163.52	163.67	123.03
S&P Composite	189.26	189.51	153.06

LONDON			
	June 11	Previous	Year ago
FT Ord	996.4	991.3	843.1
FT-SE 100	1,306.1	1,299.6	1,075.9
FT-A All-share	632.00	629.24	498.53
FT-A 500	691.45	688.72	545.36
FT Gold mines	424.4	421.9	658.3
FT-A Long gift	10.64	10.68	10.70

TOKYO			
	June 11	Previous	Year ago
Nikkei-Dow	12,758.93	12,683.84	10,376.8
Tokyo SE	1,008.80	1,004.90	800.58

AUSTRALIA			
	June 11	Previous	Year ago
All Ord	856.6	858.3	679.8
Metals & Mins.	511.8	516.0	454.0

AUSTRIA			
	June 11	Previous	Year ago
Credit Aktien	101.80	100.48	54.66

BELGIUM			
	June 11	Previous	Year ago
Belgian SE	2,349.46	2,369.76	-

CANADA			
	June 11	Previous	Year ago
Toronto	1,919.4	1,935.8	1,558.0
Metals & Mins	2,714.6	2,723.6	2,250.9
Montreal	132.78	133.48	109.47

DENMARK			
	June 11	Previous	Year ago
SE	n/a	n/a	185.16

FRANCE			
	June 11	Previous	Year ago
CAC Gen	230.3	230.7	171.6
Ind. Tendence	129.3	129.8	86.4

WEST GERMANY			
	June 11	Previous	Year ago
FAZ-Aktien	454.68	459.85	346.59
Commerzbank	1,369.9	1,366.6	1,007.5

HONG KONG			
	June 11	Previous	Year ago
Hang Seng	1,492.13	1,571.87	966.12

ITALY			
	June 11	Previous	Year ago
Banca Com.	325.34	314.3	203.62

NETHERLANDS			
	June 11	Previous	Year ago
ANP-CBS Gen	213.8	213.4	157.2
ANP-CBS Ind	178.8	177.9	126.2

NORWAY			
	June 11	Previous	Year ago
Oslo SE	340.02	341.46	259.26

SINGAPORE			
	June 11	Previous	Year ago
Straits Times	797.97	803.21	539.69

SOUTH AFRICA			
	June 11	Previous	Year ago
Gold	945.9	984.9	-
Industrials	962.2	957.5	-

SPAIN			
	June 11	Previous	Year ago
Madrid SE	109.69	110.14	86.28

SWEDEN			
	June 11	Previous	Year ago
J & P	1,351.14	1,348.36	1,428.88

SWITZERLAND			
	June 11	Previous	Year ago
Swiss Bank Ind	435.4	435.3	364.0

WORLD			
	June 10	Prev	Year ago
Capital Int'l	212.1	213.0	179.2

GOLD (per ounce)			
	June 11	Prev	Year ago
London	\$315.25	\$312.25	-
Zurich	\$315.25	\$312.35	-
Paris (Baring)	\$311.69	\$311.01	-
Luxembourg	\$313.25	\$312.05	-
New York (Aug)	\$316.90	\$317.20	-

COMMODITIES			
	June 11	Prev	Year ago
(London)			
Silver (spot fixing)	485.95p	482.10p	-
Copper (cash)	£1,125.50	£1,123.50	-
Coffee (July)	£2,068.50	£2,072.50	-
Oil (spot Arabian light)	\$26.425	\$26.425	-

FINANCIAL FUTURES			
	June 11	Prev	Year ago
CHICAGO			
U.S. Treasury Bonds (CBT)			
8% 32nds of 100%	78-14	78-23	78-06
U.S. Treasury Bills (IMM)			
5 1/2m points of 100%	92.77	92.79	92.71
Certificates of Deposit (IMM)			
5 1/2m points of 100%	92.57	92.57	92.53

LONDON			
	June 11	Prev	Year ago
Three-month Eurodollar			
5 1/2m points of 100%	91.98	91.94	91.86
20-year National GB			
£50,000 Bonds of 100%	106-16	106-14	106-05

COMMODITIES			
	June 11	Prev	Year ago